ANNUAL REPORT
CY14

EVOLVING INNOVATION

TPL Direct Insurance Ltd.
11th & 12th Floor, Centrepoint, off Shaheed-e-Millat Expressway,
Adjacent K.P.T. Interchange, Karachi - 74900
Tel: 021-37130223 Fax: 021-35316031, 35316032 UAN: 111-000-301

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TPL Direct Insurance
A TPL Holdings Company

THERE'S ALWAYS A WAY TO DO IT BETTER

Innovations possess the thrill of creating something stronger and better than ever before. At TDI, innovation is at the heart of everything we do which is why we offer our customers excellent services through quick and comprehensive means. **That is why we are pioneers in advancing the face of insurance into something absolutely groundbreaking.**

CONTENTS

01

CORPORATE PROFILE

KEEPING THE SPARK ALIGHT

Be it a fluorescent or an energy saver, the light bulb still keeps dark nights alight even 200 years after it was first invented.

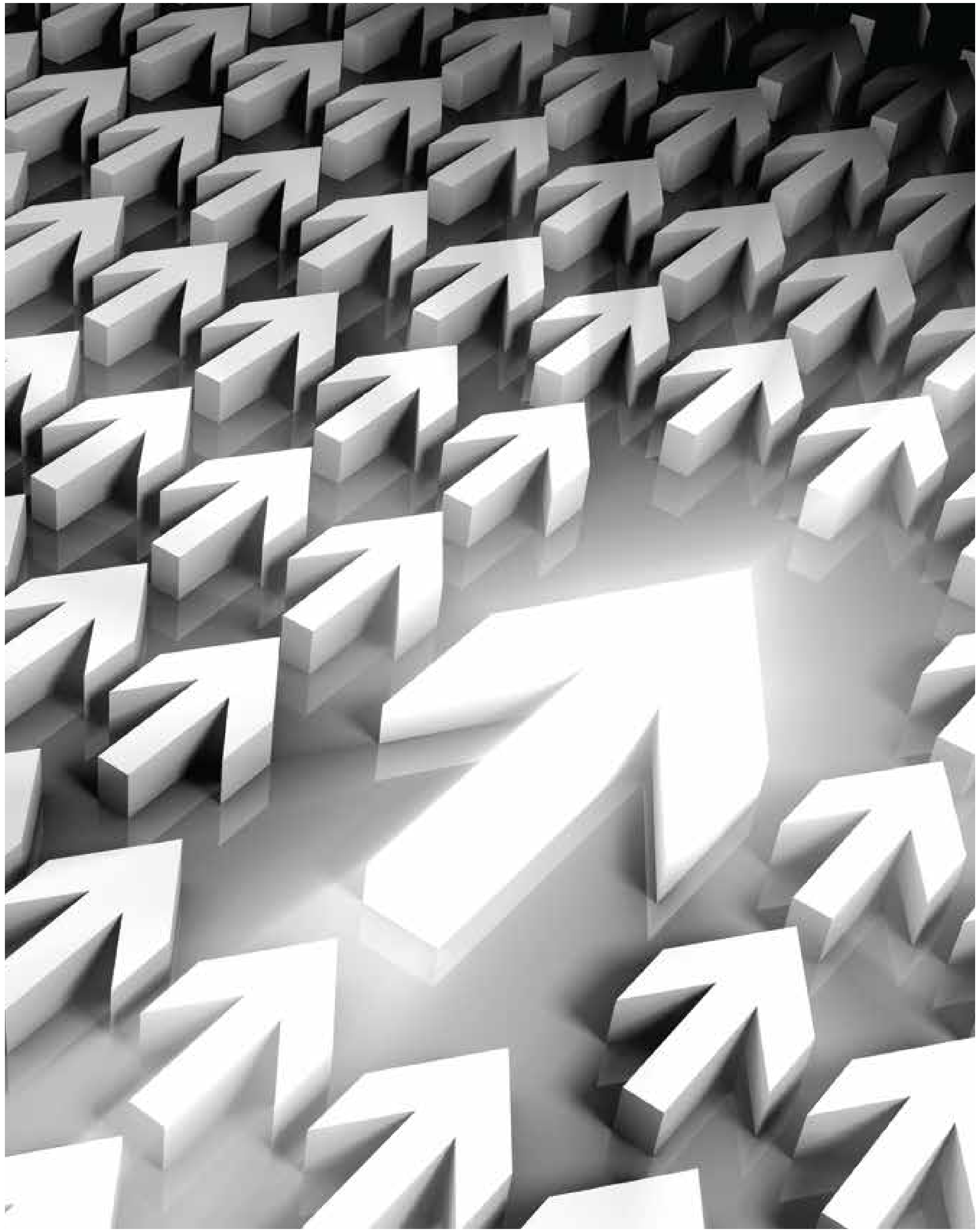
Just like the everlasting purpose of the light bulb, we remain committed in being the beacon of change and innovative solutions.

VISION

To evolve as a dominant insurance player in Pakistan by exploiting profitable niches through deployment of cutting-edge technology and proficient human capital.

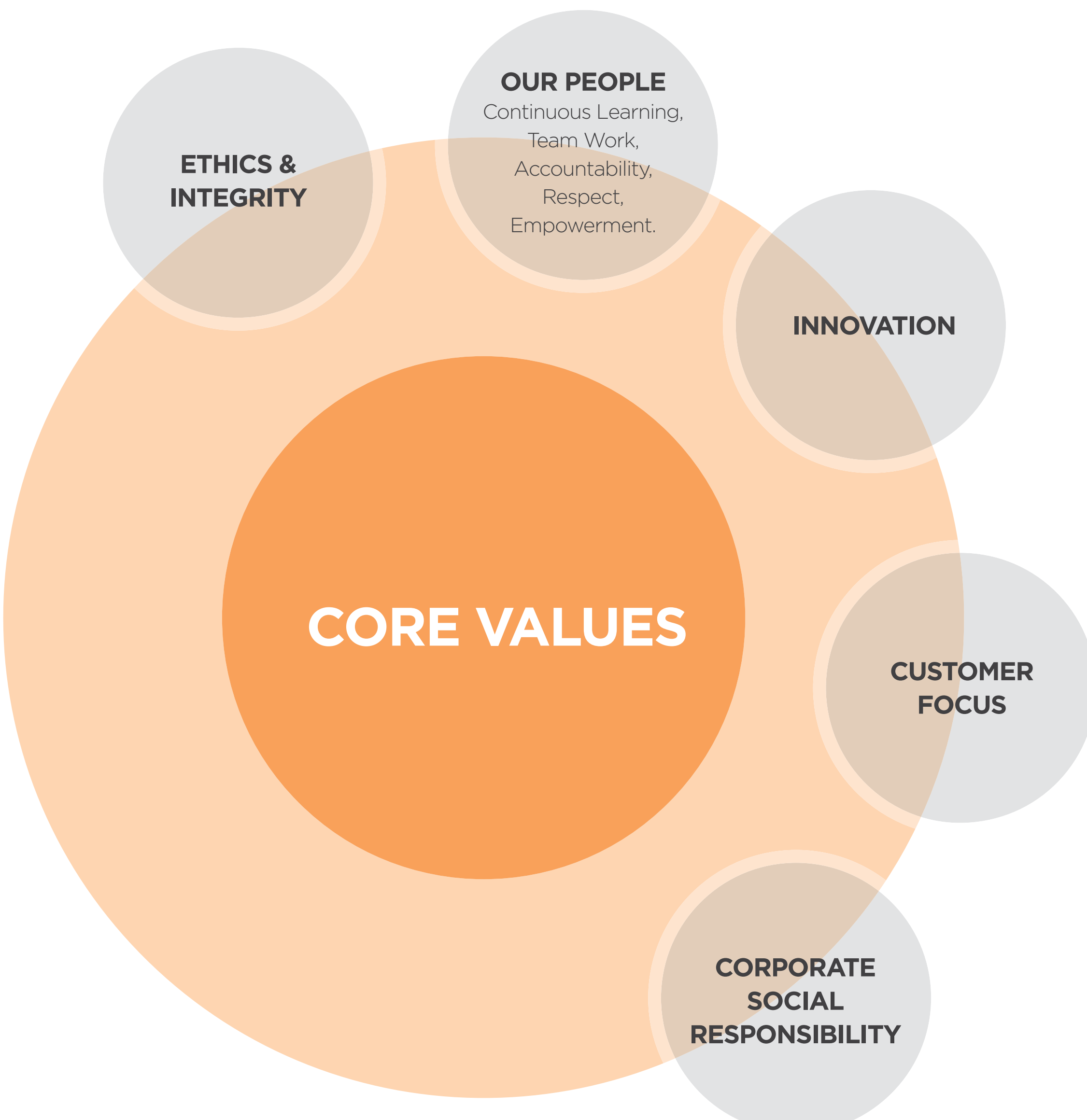
MISSION

To combine aggressive strategic marketing with efficient operational execution; providing incomparable service and product innovations to create sustainable value for our stakeholders.



STRATEGIC OBJECTIVE

To ensure a hassle-free claim settlement expertise which exhibits speed, transparency, convenience and reliability to ensure high standards of customer relations whilst following a set of pragmatic core values which reflect in our attitudes, decisions and behaviour.



CORE VALUES

Ethics & Integrity: We conduct our business fairly with ethics and integrity being a corner-stone of everything we do. We match our behaviours to our words and take responsibility for our actions.

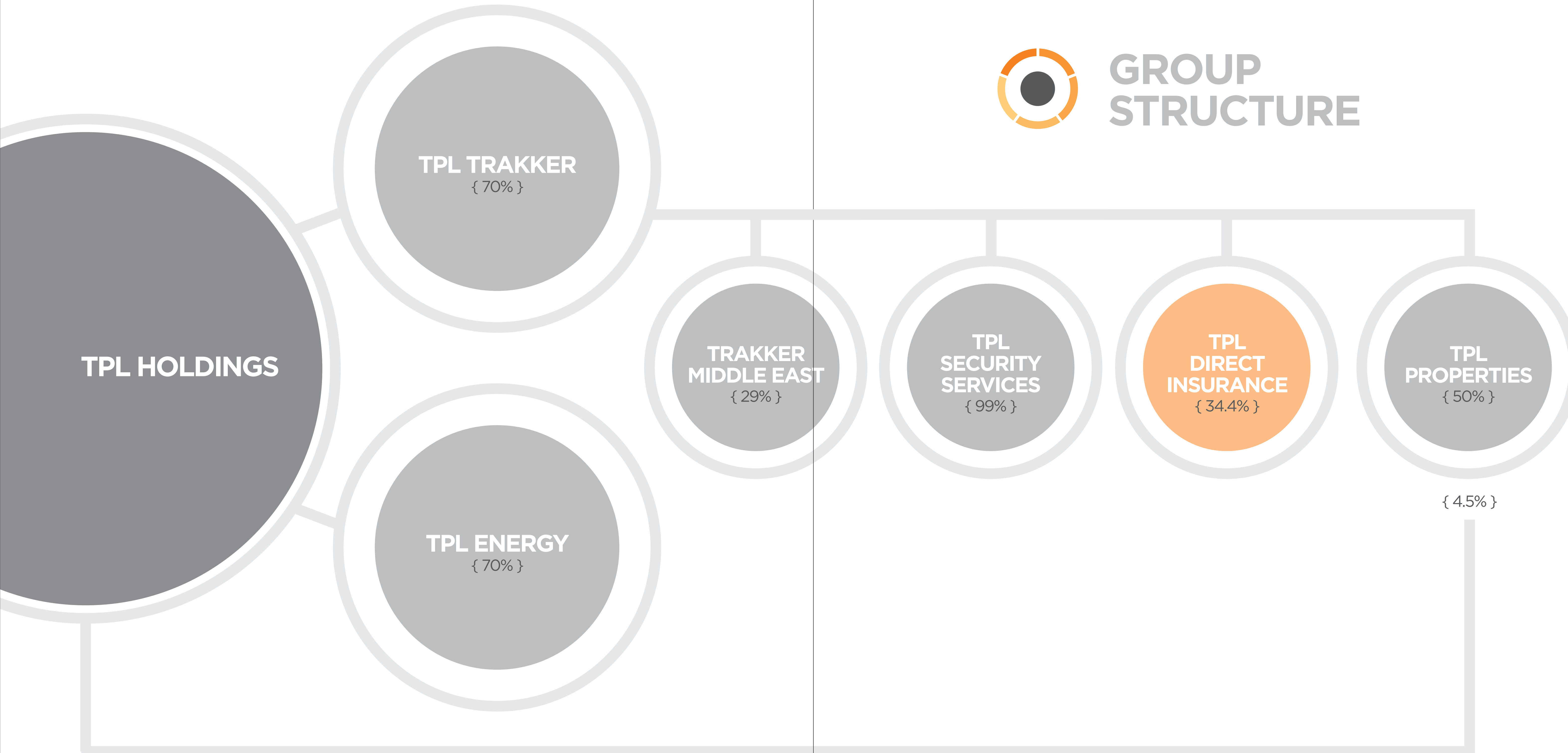
Our People: We are committed to the professional development and the personal growth of the employees. We strive to provide the highest quality services and continually challenge ourselves to be the best. We assume responsibility for our actions and conduct ourselves with the highest level of professionalism and personal integrity and treat others with respect. We foster productive relationships and work as a team to meet the organisation's goal.

Innovation: We continue to seek ways to improve the way we do business for the betterment of our employees, customers and the organisation.

Customer Focus: We are dedicated in meeting and exceeding our customer needs and honouring the commitment made to them.

Corporate Social Responsibility: We are committed to behave ethically and to contribute towards economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

GROUP STRUCTURE



ISLAMABAD

Plot # 211, Street # 07,
Sector I-9/2, Industrial Area,
Islamabad.
UAN: (051) 111-000-301
Fax: (051) 4443793-5

MULTAN

House # 5, Suraj Miani Road,
Chungi # 01,
Opp Ashraf Cardiac Clinic,
Multan.
UAN: (061) 111-000-301
Fax: (061) 4519391

KARACHI

11th & 12th Floor, Centrepoint,
Off Shaheed-e-Millat Expressway,
Adjacent K.P.T. Interchange,
Karachi - 74900
UAN: (021) 111-000-301
Fax: (021) 35316031 - 35316032
Tel: (021) 37130223

HYDERABAD

A-8, District Council Complex,
Hyderabad.
Tel: (022) 2728676
Fax: (022) 2783154

GEOGRAPHICAL PRESENCE

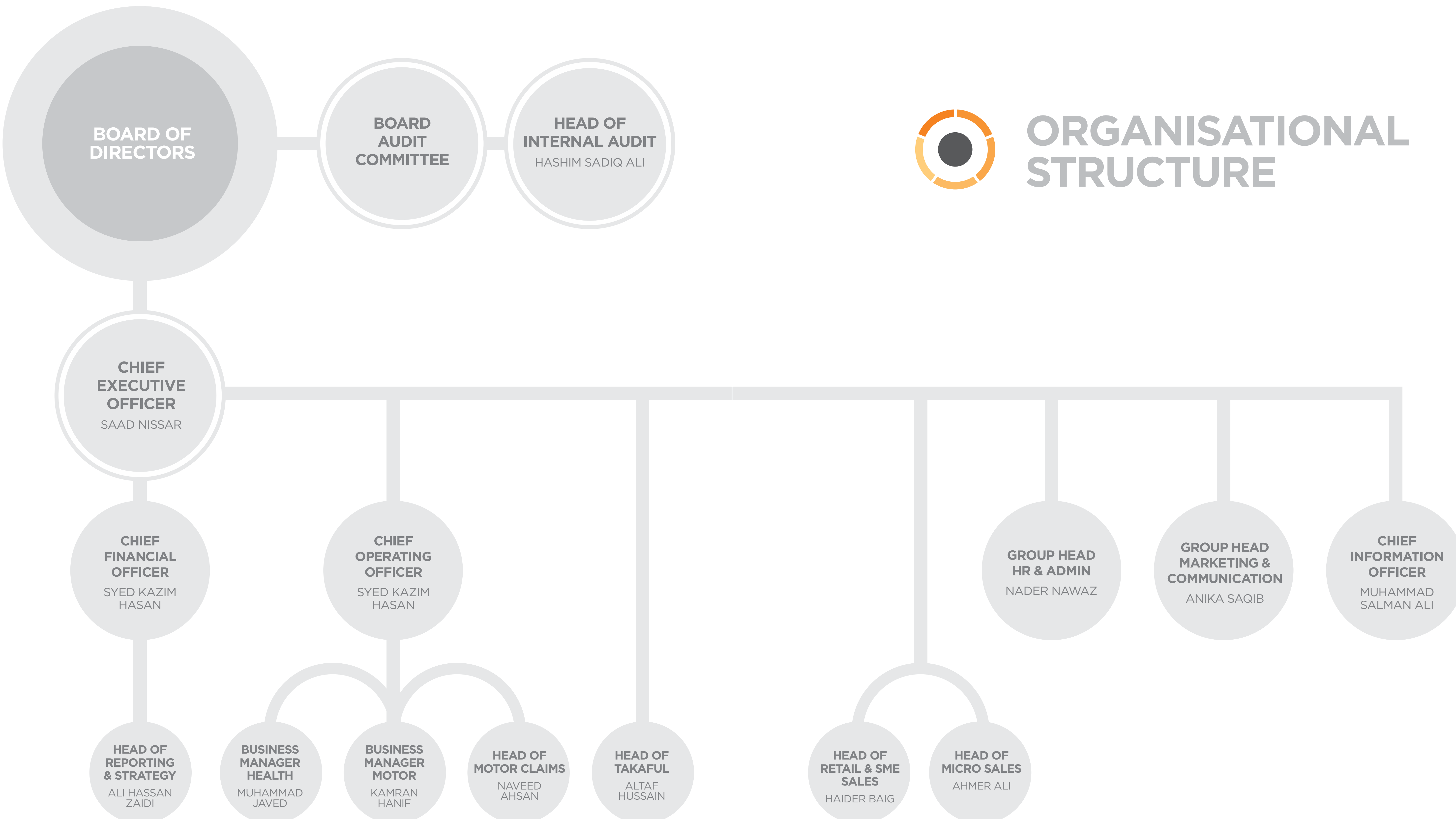
LAHORE

51-M, Denim Road,
Quaid-e-Azam, Industrial Estate,
Kot Lakhpat,
Lahore.
UAN: (042) 111-000-301
Fax: (042) 35157233

FAISALABAD

P-6161, West Canal Road,
Faisalabad.
Tel: (041) 8501471-3
Fax: (041) 8501470

ORGANISATIONAL STRUCTURE



COMPANY INFO

BOARD OF DIRECTORS

Jameel Yusuf	Chairman
Ali Jameel	Director
Saad Nissar	Director | CEO
Andrew Borda	Director
Romain Dequesne	Director
Adil Matcheswalla	Director
Syed Nadir Shah	Director

BOARD COMMITTEES

Audit Committee

Syed Nadir Shah	Chairman
Adil Matcheswalla	Member
Ali Jameel	Member
Andrew Borda	Member
Hashim Sadiq Ali	Secretary

Human Resources and Remuneration Committee

Syed Nadir Shah	Chairman
Ali Jameel	Member
Romain Dequesne	Member
Adil Matcheswalla	Member
Nader Nawaz	Secretary

Finance & Investment Committee

Ali Jameel	Chairman
Jameel Yusuf	Member
Andrew Borda	Member
Romain Dequesne	Member
Syed Kazim Hasan	Secretary

MANAGEMENT COMMITTEES

Underwriting Committee

Saad Nissar	Chairman
Romain Dequesne	Member
Syed Kazim Hasan	Member
Kamran M. Hanif	Member & Secretary

Claims Committee

Saad Nissar	Chairman
Syed Kazim Hasan	Member
Naveed Ahsan	Member & Secretary

Co-insurance and Reinsurance Committee

Saad Nissar	Chairman
Andrew Borda	Member
Syed Kazim Hasan	Member
Naveed Ahsan	Member
Kamran M. Hanif	Member & Secretary

COMPANY INFO

BANKERS

Habib Metropolitan Bank Limited
Bank Al Habib Limited
Dubai Islamic Bank Limited
National Bank of Pakistan
United Bank Limited
Faysal Bank Limited
NIB Bank Limited
Burj Bank Limited
JS Bank Limited
Tameer Micro Finance Bank Limited

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants

LEGAL ADVISOR

Lari & Co.
Maritime & Insurance Advocates

SHARE REGISTRAR

THK Associates (Pvt) Limited
2nd Floor, State Life Building-3
Dr. Ziauddin Ahmed Road,
Karachi-75530, Pakistan
Tel: (021) 35689021, 35686658
UAN: 111-000-322
Fax: (021) 35655595

REGISTERED OFFICE

11th & 12th Floor, Centrepoint,
Off Shaheed-e-Millat Expressway,
Adjacent K.P.T. Interchange,
Karachi - 74900
UAN: (021) 111-000-301
Tel: (021) 37130223
Fax: (021) 35316031, 35316032

WEB PRESENCE

www.tplinsurance.com

02

CEO'S MESSAGE

CEO'S MESSAGE

It gives me great pleasure to announce that TPL Direct Insurance Ltd. (TDI) has achieved the much anticipated one Billion gross premium written mark in a year. Whilst the country and the sector itself witnessed tough political and socio-economic challenges in 2014, TDI recorded substantial growth of 40% as we continued to demonstrate our commitment to stay unrivaled in the services and products offered to our customers.

There were two main drivers for our growth; namely innovation as well as geographic expansion into Central and Northern region. We managed to obtain authorization to undertake Window Takaful Operations and launched Direct Takaful (Auto, Home and Travel) in Q4CY14. Further, we ventured into Micro Health Insurance which continues to develop as a steady premium channel for TDI. Our strategy is driven with an aggressive approach to sales and marketing, competitive use of pricing to ensure underwriting profits, transparent and swift claim services and diversification of our distribution channels.

Acknowledging TDI's "Direct" approach of servicing insurance and exploiting profitable niches through unparalleled products and services, Greenoaks Global Holdings Limited (GGH) - a UK based private equity firm, has partnered with TPL Holdings by investing as major shareholders of TDI. We plan to undertake the opportunity by launching further "non-life" lines of business by expanding existing innovation and distribution strategy whilst tapping into the Global Insurance Experience Pool of GGH. We greatly value our team, our people; their development is of utmost importance and holds great significance in achieving focused excellence in all our endeavors. Team TDI is without a doubt our "X" factor and we will continue to give ourselves opportunities for growth and enrichment. We are committed to put forward incomparable service and product innovations to create sustainable value for our stakeholders, a great example of which is the first-of-its-kind, "Yodelee Mobile app" for insurance services. With a pledge to making further advancements and becoming the dominant insurance player in Pakistan, Team TDI is poised for success.

We are quite optimistic about the future of Pakistan Insurance Industry and TDI will ensure to strive forward with the same zeal and fervor as we have in the past. I look forward to developing our non-motor products even further to be ready for the next phase of our journey with the help of our extremely dedicated, supportive and hardworking teams. Our primacy is to create maximum value for our shareholders, who have aided TDI tremendously with their support and loyalty.

SAAD NISSAR
CHIEF EXECUTIVE OFFICER

03

STAKEHOLDERS' INFORMATION

HORIZONTAL ANALYSIS

BALANCE SHEET

(RUPEES IN MILLIONS)

	2014	2013	2012	2011	2010	2009
Cash and bank deposits	89.84	108.35	17.77	22.06	4.66	1.81
Investments	49.94	153.24	149.27	163.06	33.85	38.84
Deferred tax	-	-	-	24.22	33.40	34.60
Premiums due but unpaid - unsecured	110.24	88.22	47.16	33.05	13.60	8.30
Amounts due from other insurers/reinsurers-unsecured	5.88	0.02	1.50	3.24	2.75	12.81
Accrued investment income	2.13	2.13	2.13	2.13	0.79	0.80
Reinsurance recoveries against outstanding claims	23.64	5.14	11.22	2.78	4.38	2.36
Deferred commission expense	87.24	57.43	32.55	24.23	21.40	15.27
Prepayments	354.88	356.55	279.85	216.45	128.24	16.44
Taxation - payments less provision	-	-	4.78	-	-	-
Sundry receivables and others	135.04	16.33	28.79	30.41	47.94	58.85
Loan to associated company	126.68	100.00	100.00	-	-	-
Fixed assets	308.70	169.09	120.16	106.35	112.07	141.11
Capital work in progress	4.84	19.05	47.89	147.93	161.00	129.85
TOTAL ASSETS	**1,299.07**	**1,075.54**	**843.07**	**775.92**	**564.08**	**461.03**
Issued, subscribed and paid up share capital	452.31	452.31	452.31	452.31	310.00	310.00
Accumulated profit / (losses)	10.56	(13.49)	(65.01)	(84.72)	(114.49)	(96.48)
Total Shareholders' Equity	**462.88**	**438.83**	**387.30**	**367.60**	**195.51**	**213.52**
Provision for outstanding claims [including IBNR]	157.40	126.09	76.69	52.33	51.91	34.76
Provision for unearned premium	593.35	441.91	328.15	247.67	199.42	141.47
Commission income unearned	-	-	-	0.02	0.03	0.18
Premiums received in advance	2.23	2.50	2.29	2.26	2.87	1.24
Amounts due to other insurers / reinsurers	16.78	15.35	10.64	12.50	10.15	6.29
Deferred tax liability	15.14	7.28	3.40	-	-	-
Accrued expenses	2.02	3.76	2.60	2.32	2.09	1.76
Sundry creditors and others	46.75	30.13	32.00	89.66	57.63	27.18
Taxation - provision less payments	2.50	9.69	-	-	-	-
Short term finance	-	-	-	-	37.27	24.46
Obligation under finance lease	-	-	-	1.56	7.21	10.17
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,299.07**	**1,075.54**	**843.07**	**775.92**	**564.08**	**461.03**

PROFIT AND LOSS ACCOUNT

(RUPEES IN MILLIONS)

	2014	2013	2012	2011	2010	2009
Net premium revenue	1,056.41	733.46	619.85	453.63	331.29	223.57
Net claims	(531.71)	(314.17)	(253.89)	(171.29)	(141.86)	(64.63)
Expenses	(278.69)	(227.45)	(213.54)	(163.01)	(135.96)	(112.04)
Net commission	(146.18)	(78.26)	(64.96)	(46.38)	(35.65)	(17.47)
Underwriting results	99.83	113.58	87.46	72.96	17.82	29.43
Investment income	13.77	6.99	6.18	8.52	3.98	(2.56)
Other income	79.10	67.35	76.44	33.16	15.50	14.81
Financial charges	(0.57)	(0.77)	(1.24)	(5.21)	(7.95)	(5.61)
General and administration expenses	(155.06)	(108.79)	(106.65)	(66.61)	(41.72)	(25.93)
Profit / (Loss) before tax	37.07	78.36	62.19	42.81	(12.37)	10.14
Taxation	(13.02)	(26.84)	(19.48)	(13.04)	(5.64)	(8.28)
Profit / (Loss) after tax	**24.05**	**51.52**	**42.71**	**29.78**	**(18.01)**	**1.86**

VERTICAL ANALYSIS

BALANCE SHEET

(RUPEES IN MILLIONS)

	2014	2013	2012	2011	2010	2009
Cash and bank deposits	6.92%	10.07%	2.11%	2.84%	0.83%	0.39%
Investments	3.84%	14.25%	17.71%	21.02%	6.00%	8.42%
Deferred tax	0.00%	0.00%	0.00%	3.12%	5.92%	7.50%
Premiums due but unpaid - unsecured	8.49%	8.20%	5.59%	4.26%	2.41%	1.80%
Amounts due from other insurers / reinsurers - unsecured	0.45%	0.00%	0.18%	0.42%	0.49%	2.78%
Accrued investment income	0.16%	0.20%	0.25%	0.27%	0.14%	0.17%
Reinsurance recoveries against outstanding claims	1.82%	0.48%	1.33%	0.36%	0.78%	0.51%
Deferred commission expense	6.72%	5.34%	3.86%	3.12%	3.79%	3.31%
Prepayments	27.32%	33.15%	33.19%	27.89%	22.74%	3.57%
Taxation - payments less provision	0.00%	0.00%	0.57%	0.00%	0.00%	0.00%
Sundry receivables and others	10.40%	1.52%	3.41%	3.92%	8.50%	12.77%
Loan to associated company	9.75%	9.30%	11.86%	0.00%	0.00%	0.00%
Fixed assets	23.76%	15.72%	14.25%	13.71%	19.87%	30.61%
Capital work in progress	0.37%	1.77%	5.68%	19.06%	28.54%	28.16%
TOTAL ASSETS	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Issued, subscribed and paid up share capital	34.82%	42.05%	53.65%	58.29%	54.96%	67.24%
Accumulated profit / (losses)	0.81%	-1.25%	-7.71%	-10.91%	-20.30%	-20.93%
Total Shareholders' Equity	35.63%	40.80%	45.94%	**47.38%**	**34.66%**	**46.31%**
Provision for outstanding claims [including IBNR]	12.12%	11.72%	9.10%	6.74%	9.20%	7.54%
Provision for unearned premium	45.68%	41.09%	38.92%	31.92%	35.35%	30.69%
Commission income unearned	0.00%	0.00%	0.00%	0.00%	0.00%	0.04%
Premiums received in advance	0.17%	0.23%	0.27%	0.29%	0.51%	0.27%
Amounts due to other insurers / reinsurers	1.29%	1.43%	1.26%	1.61%	1.80%	1.36%
Deferred tax liability	1.17%	0.68%	0.40%	0.00%	0.00%	0.00%
Accrued expenses	0.16%	0.35%	0.31%	0.30%	0.37%	0.38%
Sundry creditors and others	3.60%	2.80%	3.80%	11.55%	10.22%	5.89%
Taxation - provision less payments	0.19%	0.90%	0.00%	0.00%	0.00%	0.00%
Short term finance	0.00%	0.00%	0.00%	0.00%	6.61%	5.31%
Obligation under finance lease	0.00%	0.00%	0.00%	0.20%	1.28%	2.21%
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

PROFIT AND LOSS ACCOUNT

(RUPEES IN MILLIONS)

	2014	2013	2012	2011	2010	2009
Net premium revenue	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Net claims	-50.33%	-42.83%	-40.96%	-37.76%	-42.82%	-28.91%
Expenses	-26.38%	-31.01%	-34.45%	-35.93%	-41.04%	-50.11%
Net commission	-13.84%	-10.67%	-10.48%	-10.22%	-10.76%	-7.81%
Underwriting results	9.45%	15.49%	14.11%	**16.08%**	**5.38%**	**13.16%**
Investment income	1.30%	0.95%	1.00%	1.89%	1.20%	-1.15%
Other income	7.49%	9.18%	12.33%	7.31%	4.68%	6.63%
Financial charges	-0.05%	-0.11%	-0.20%	-1.15%	-2.40%	-2.51%
General and administration expenses	-14.68%	-14.83%	-17.21%	-14.68%	-12.59%	-11.60%
Profit / (Loss) before tax	3.51%	10.68%	10.03%	9.45%	-3.74%	4.54%
Taxation	-1.23%	-3.66%	-3.14%	-2.87%	-1.70%	-3.70%
Profit / (Loss) after tax	**2.28%**	**7.02%**	**6.89%**	**6.58%**	**-5.44%**	**0.83%**

CASH FLOW ANALYSIS

(RUPEES IN MILLIONS)

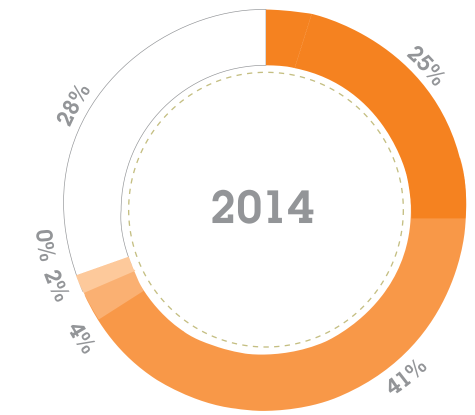
OPERATING ACTIVITIES	2014	2013	2012	2011	2010	2009
(A) UNDERWRITING ACTIVITIES						
Premiums received	1,198.51	829.03	692.39	484.16	417.02	279.20
Reinsurance premiums paid	(17.39)	(16.46)	(6.13)	(0.44)	(16.64)	(5.41)
Claims paid	(676.08)	(410.32)	(327.93)	(246.25)	(181.33)	(83.99)
Reinsurance and other recoveries received	157.19	151.62	89.97	76.98	54.59	32.25
Commission paid	(171.47)	(101.86)	(72.33)	(44.00)	(41.99)	(26.49)
Commission received	-	-	-	0.14	0.08	0.83
Net cash inflow from underwriting activities	490.75	452.01	375.97	270.59	231.74	196.39
(B) OTHER OPERATING ACTIVITIES						
Income tax paid	(12.35)	(8.48)	(3.53)	(1.16)	(0.31)	(0.02)
General management expenses paid	(279.06)	(294.37)	(258.59)	(211.93)	(216.61)	(53.69)
Other operating receipts	(4.81)	6.50	(58.51)	15.58	29.09	13.37
Loans advanced	(0.88)	(0.45)	(2.01)	(0.59)	(0.67)	(0.21)
Loans repayments received	0.63	1.12	1.50	0.52	0.33	0.21
Net cash outflow from other operating activities	(296.47)	(295.69)	(321.14)	(197.58)	(188.17)	(40.33)
Total cash inflow from all operating activities	194.28	156.32	54.83	73.02	43.57	156.06
INVESTMENT ACTIVITIES						
Payments for purchase of investments	-	(3.04)	(1.00)	(138.31)	(60.20)	(28.43)
Proceeds from disposal of investments	3.25	-	10.83	14.15	66.72	21.29
Fixed capital expenditure	(182.83)	(31.76)	(55.93)	(42.46)	(52.66)	(147.23)
Advance given against CWIP	(18.10)	(40.41)	(1.63)	(61.93)	-	-
Advance against construction of office space refunded	-	-	-	75.00	-	-
Other (payments) / receipts from investing activities	(14.54)	10.23	13.07	3.94	5.01	6.82
Total cash outflow from investing activities	(212.22)	(64.97)	(34.66)	(149.62)	(41.14)	(147.54)
FINANCING ACTIVITIES						
Issue of new shares	-	-	-	142.31	-	-
Financial charges paid	(0.57)	(0.77)	(0.95)	(4.49)	(6.29)	(5.61)
Payments on finance leases	-	-	(0.52)	(6.14)	(6.11)	(5.13)
Dividend	-	-	(23.00)		-	-
Total cash inflow / (outflow) from financing activities	(0.57)	(0.77)	(24.47)	131.68	(12.39)	(10.74)
Net cash inflow / (outflow) from all activities	(18.51)	90.58	(4.30)	55.08	(9.96)	(2.23)
Cash and cash equivalent at beginning of the year	108.35	17.76	22.06	(33.01)	(23.05)	(20.83)
Cash and cash equivalent at end of the year	89.84	108.34	17.76	22.06	(33.01)	(23.05)

RATIO ANALYSIS

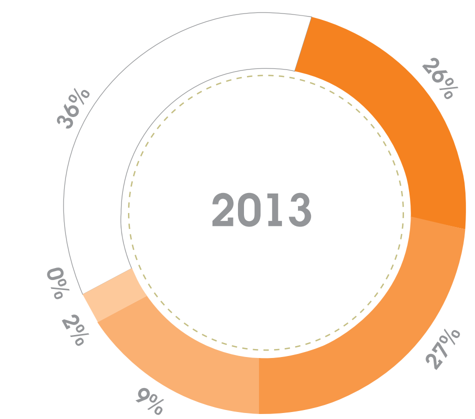
KEY FINANCIAL RATIOS	2014	2013	2012	2011	2010	2009
Profitability Ratios						
Return on Assets	1.9%	4.8%	5.1%	3.8%	-3.2%	0.4%
Return on Equity	5.2%	11.7%	11.0%	8.1%	-9.2%	0.9%
Underwriting Margin	9.4%	15.5%	14.1%	16.1%	5.4%	13.2%
Net profit Margin	2.3%	7.0%	6.9%	6.6%	-5.4%	0.8%
EBITDA Margin	10.6%	17.6%	18.0%	21.1%	13.3%	26.2%
Return on Capital Employed	3.51%	8.89%	8.80%	7.76%	-1.09%	4.30%
Liquidity Ratios						
Current ratio	3.76	3.66	4.04	1.98	1.22	1.07
Cash to Current Liabilities	39.85%	58.56%	14.57%	14.07%	2.93%	1.92%
Cashflow from Operations Margin	18.39%	21.31%	8.85%	16.10%	13.15%	69.80%
Activity / Turnover Ratios						
Asset Turnover Ratio	81.3%	68.2%	73.5%	58.5%	58.7%	48.5%
No. of days in Premium Receivable	38	44	28	27	15	14
Fixed Asset Turnover	29%	23%	19%	23%	34%	63%
No. of days in Claim Settlement	81	100	79	77	95	162
Investment Valuation Ratios						
Break-up value per share	10.06	9.54	8.42	7.99	6.31	6.89
Earning per share	0.52	1.12	0.93	0.84	-0.58	0.06
Capital Structure Ratio						
Debt Equity Ratio	0.0%	0.0%	0.0%	0.4%	22.8%	16.2%

STATEMENT OF VALUE ADDITION

	2014 Rupees	2014 %	2013 Rupees	2013 %
WEALTH GENERATED				
Gross premium earned	1,056,407,484		733,460,517	
Investment and other income	92,868,309		74,342,136	
	1,149,275,793		807,802,653	
Management and other expenses	(796,108,502)		(520,520,089)	
	353,167,291	100.00%	287,282,564	100.00%
WEALTH DISTRIBUTED				
To employees	88,989,531	25.20%	74,661,031	25.99%
To Business Partners	146,183,943	41.39%	78,262,992	27.24%
To government	13,021,263	3.69%	26,839,778	9.34%
To society	5,991,817	1.70%	4,923,695	1.71%
To financers	566,783	0.16%	772,359	0.27%
To shareholders				
Cash dividend	-	0.00%	-	0.00%
Retained in business				
Depreciation and amortization	74,363,377	21.06%	50,299,963	17.51%
Retained profit / loss	24,050,577	6.81%	51,522,746	17.93%
	98,413,954	27.87%	101,822,709	35.44%
	353,167,291	100%	287,282,564	100%



TO EMPLOYEES
TO BUSINESS PARTNERS
TO GOVERNMENT
TO SOCIETY
TO FINANCERS
RETAINED IN BUSINESS



TO EMPLOYEE
TO BUSINESS PARTNER
TO GOVERNMENT
TO SOCIETY
TO FINANCER
RETAINED IN BUSINESS

04

CORPORATE GOVERNANCE

PROFILE OF DIRECTORS

JAMEEL YUSUF

CHAIRMAN

Mr. Jameel Yusuf Ahmed is a businessman and is the chairman of TPL Holdings. He was the founder chairman of Citizen-Police Liaison Committee (CPLC), and remained its chairman from September 1989 to March 2003. He is also the Director of Asia Crime Prevention Foundation (ACPF) and is the founding trustee of "PANAH" a shelter home established for women in distress. Mr. Yusuf is also a member of Advisory Council Fellowship Fund for Pakistan (FFFP), Woodrow Wilson International Centre for Scholars (WWC) since 2004.

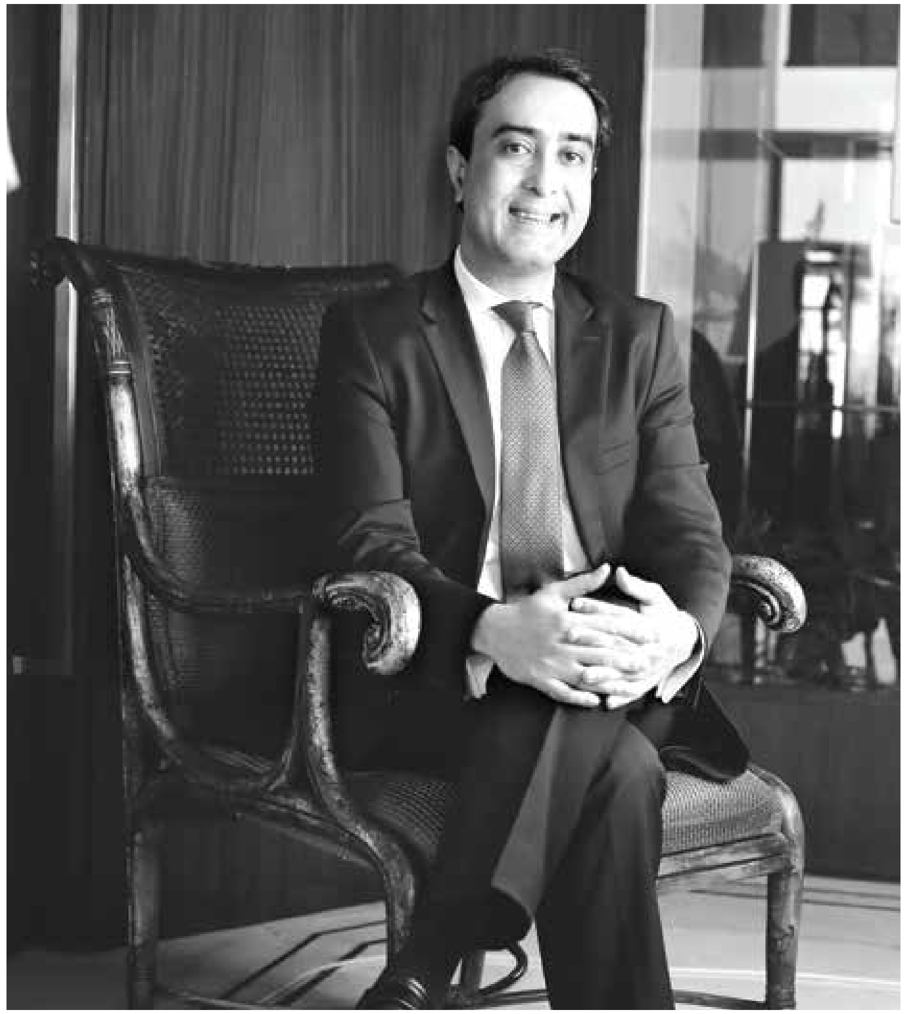
He was awarded Presidential Award "Sitar-e-Shujaat" for gallantry services in August 1992 and was also nominated for the First United Nations Vienna Civil Society Award in 1999.

MUHAMMAD ALI JAMEEL

DIRECTOR

Mr. Ali Jameel is the CEO of TPL Trakker Ltd. - Pakistan's first vehicle tracking Company. He is also the director of TRG Pakistan Ltd. Formerly Mr. Jameel was the Chief Executive of Jahangir Siddiqui Investment Bank. He has also held several advisory posts in Board of Investment, Economic Advisory Council, the Pakistan's information technology and telecommunication sectors, including appointments on the task Force on Telecom Deregulation, the Fiscal Incentive Group on the IT Commission and the Task Force on Venture Capital.

Mr. Jameel received his B.Sc. degree in Economics from the London School of Economics. He is also an Associate Member of the Institute of Chartered Accountants in England & Wales and qualified in 1994 at KPMG Peat Marwick in London.



SAAD NISSAR

CHIEF EXECUTIVE OFFICER

Mr. Nissar is an experienced marketing professional. He joined TPL Trakker Limited in the year 2000 at its inception as "National Sales Manager". Mr. Nissar has been instrumental in setting up and executing the retail network nationwide, successful packaging and promoting of fleet management and portfolio management services in the corporate sector and Financial Institution Group (FIG) of Pakistan respectively. Mr. Nissar was appointed as Director of TDI effective July 2005 and consequently he assumed the role of Chief Executive Officer. TDI has won "Brand of the Year Award" for six consecutive years under his leadership.

Mr. Nissar holds an MBA degree from the Institute Of Business Administration.

ANDREW BORDA

DIRECTOR

Mr. Andrew Borda is a Nominee Director of Greenoaks Global Holdings Ltd. and has received a Bachelor's of Arts (B.A.) degree from Washington and Lee University, Virginia, United States and a Master's of Science (M.S) degree from Graduate Institute of International and Development Studies, Geneva, Switzerland.

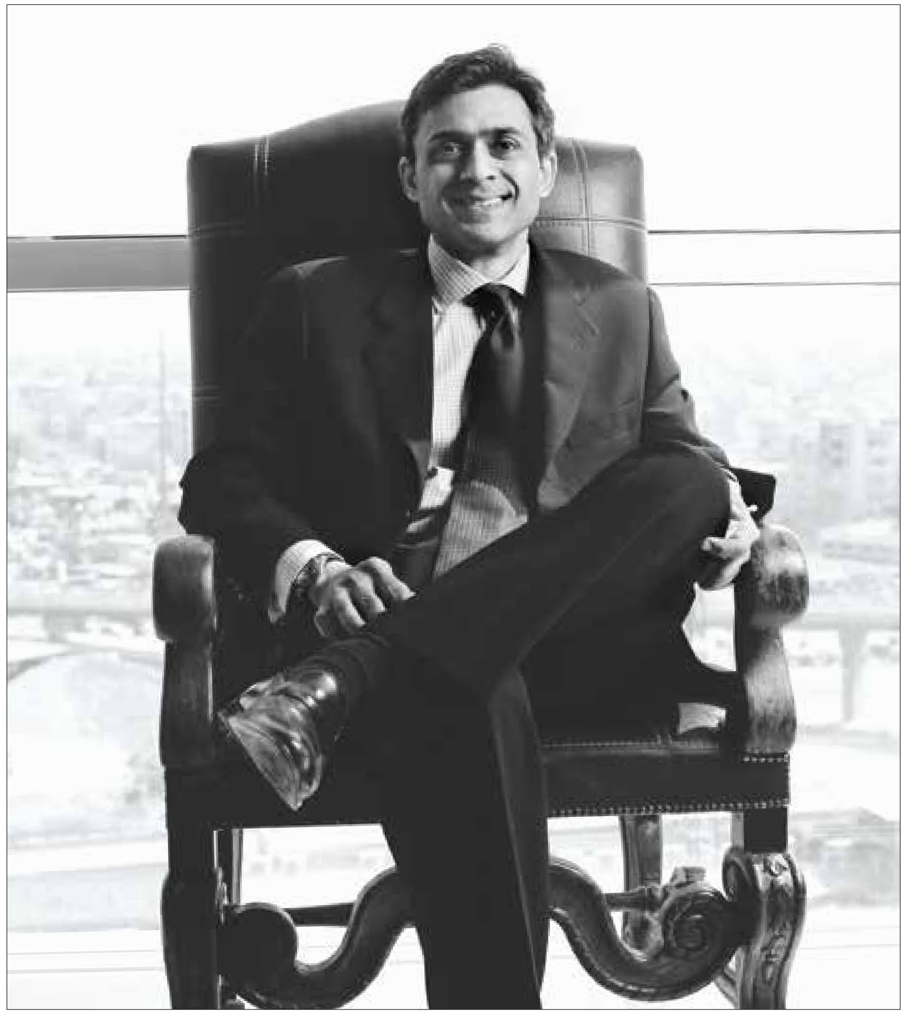
Currently, Mr. Borda holds a Managing Partner position at Greenoaks Global Operations Ltd. (London) since September 2013. Prior to this, Mr. Borda was the Vice President at Swiss Re (Zurich Switzerland, London U.K. and New York U.S.A) from 2011 to 2013 and a Senior Associate at McKinsey & Company for 3 years from 2008 to 2011 in Geneva and Zurich, Switzerland.

ROMAIN DEQUESNE

DIRECTOR

Mr. Romain Dequesne has held over 10 years of experience working closely in consultation for influential businesses and institutions. He is currently the co-founder and managing partner at Greenoaks Global Operations Ltd. (London) since October 2013. He has held a Junior Partner position since July 2013 and has been an Associate and Engagement Manager since January 2011 at McKinsey & Company (Geneva, Switzerland).

Mr. Romain Dequesne graduated with a Master's degree in Physics from EFPL (École polytechnique fédérale de Lausanne), Switzerland, and also held the position of President of the Festival Balélec, a renowned open-air spring music festival held in Switzerland from 2006 to 2007.



ADIL MATCHESWALLA

DIRECTOR

Mr. Adil Matcheswalla served as Chairman of JS Global Capital Limited. Mr. Matcheswalla joined the JS Group in April 1993 and remained an employee till October 2001. During his eight years with the group, he served in various capacities ranging from Head of Equity Operations, Head of Equity Sales and as a member of various Committees ranging from technology, investment, special projects and acquisitions.

SYED NADIR SHAH

DIRECTOR

Syed Nadir Shah is an experienced professional who has served at ANZ Banking Group, Grindlays Bank Ltd., Jardine Fleming Pakistan, World Tel (MECA). Infinity Global Telecom and Energy Saving Solution Ltd. Mr. Shah holds a BA Degree in Economics and a BBA Degree in the Finance major. Mr. Shah is serving as the Chairman of the Audit Committee and as a member in the Human Resources & Remuneration Committee of TPL Direct Insurance Limited. His valuable inputs have made it possible to achieve the highest standards in the audit and HR functions. At present, he is also holding positions of directorship in Fauji Akbar Portia Terminals (Pvt.) Limited, Meskay & Famtee Trading Co. (Pvt.) Limited and Princely Jets Private Limited.

PRINCIPAL BOARD COMMITTEES

BOARD AUDIT COMMITTEE

The Board Audit Committee assists the Board in fulfilling its oversight responsibilities primarily in reviewing and reporting financial and non-financial information to stake holders, systems of internal control, risk management and the audit process. It has the power to call for information from management and to consult directly with the external auditors or their advisors as considered appropriate.

The Chief Financial Officer, Head of Internal Audit and a representative of the external auditors attend meetings of the Audit Committee, at which issues relating to accounts and audit are discussed. The Chief Executive Officer attends the meetings by invitation. The Committee also privately meets with the external auditors at least once a year. After each meeting, the Chairman of the Committee reports to the Board.

MEMBERS:

Syed Nadir Shah - Chairman
Adil Matcheswalla - Member
Ali Jameel - Member
Andrew Borda - Member
Hashim Sadiq Ali - Secretary

BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

The Board Human Resource and Remuneration Committee is responsible for administering the compensation, organization and employee development matters relating to the Company. It reviews the key human resource initiatives and organizational overview of the Company.

MEMBERS:

Syed Nadir Shah - Chairman
Ali Jameel - Member
Romain Dequesne - Member
Adil Matcheswalla - Member
Nader Nawaz - Secretary

FINANCE AND INVESTMENT COMMITTEE

The Committee assists the Board in reviewing the Company's investment transactions and performances, oversee the Company's capital and financial resources and advice on future strategy. The Committee regularly reports to the Board of Directors.

MEMBERS:

Ali Jameel - Chairman
Jameel Yusuf - Member
Andrew Borda - Member
Romain Dequesne - Member
Syed Kazim Hasan - Secretary

DIRECTORS' REPORT

On behalf of the Board of Directors of TPL Direct Insurance Limited, I am pleased to present the annual report of the Company for the year ended 31st December 2014.

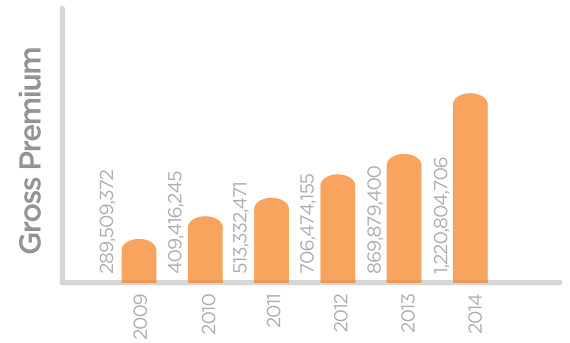
ECONOMIC OUTLOOK

The national economy completed its fiscal year 2014 and demonstrated encouraging trends with a growth of 4.1% with foreign investments growing by 133.3% and inflation rate at 8.7%. PKR remained stable against USD on the back of privatization proceeds, 3G and 4G license auctions and foreign grants. KSE remained upbeat and continued its upward trend exhibiting resilience against law and order situation, persistent energy crises, and political turmoil. The KSE returned 27% in calendar year 2014 and was the third best performing market in the world trailing only China and Venezuela. Government demonstrated its commitment to undertake reforms and remained compliant with IMF conditions. SBP Foreign reserves increased to USD 10.4 billion at the end of calendar year from USD 3.5 billion at the start of year majorly due to declining oil prices sighting controlled inflation and stable currency, the regulator has initiated monetary easing which has continued subsequent to the year end as well.

BUSINESS REVIEW

Our growth in recent years has been strong, with gross written premium increasing by 40% in 2014 to Rs. 1,220.805 million.

GROSS WRITTEN PREMIUM



YEAR	GROSS WRITTEN PREMIUM	GROWTH %
2009	289,509,372	56%
2010	409,416,245	41%
2011	513,332,471	25%
2012	706,474,155	38%
2013	869,879,400	23%
2014	1,220,804,706*	40%

** includes window takaful contributions amounting to Rs. 64.85 million*

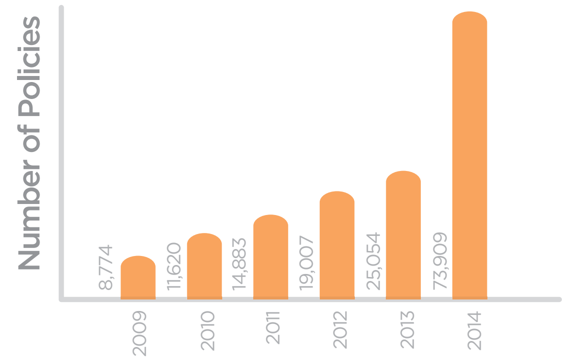
We have cemented our position in the insurance industry and are now amongst the top players with third position in motor insurance as of 30 September 2014.

The healthy growth of TDI is built around the customer's confidence in the company as it upholds its motto of providing equitable premium rates, recording claims in 60 seconds, claims processing in 45 minutes and settlement of total loss and theft claims in 7 days. This translated in 2014 to a strong renewal rate as well as a 46% increase in new business, mostly driven by the expansion strategy in the Northern region.

Our portfolio is still largely focused on motor insurance business (about 95% of gross written premium), while other lines of business (health, home and travel) remains at early stages, although promising significant growth.

YEAR	NUMBER OF POLICIES	GROWTH %
2009	8,774	51%
2010	11,620	32%
2011	14,883	28%
2012	19,007	28%
2013	25,054	32%
2014	**73,909***	**195%**

** including 44,945 health policies*



In particular, we successfully launched the micro health initiative with a leading micro finance bank and have developed a nationwide network of hospitals to service micro health claims. We are already listed over 220 hospitals across Pakistan and are manned by experienced doctors and health insurance professionals. The segment is yet to contribute significantly to the premiums but we managed to test its network effectively during the year. We are planning value added services for health insurance customers and expect to penetrate majorly in the retail and micro health market in upcoming years and are confident that the segment will contribute significantly to the future profitability of the company.

LAUNCH OF WINDOW TAKAFUL OPERATIONS

We are authorized by SECP under Takaful Rules 2012 to undertake Window Takaful Operations in respect of general takaful products. The Company, with the assistance of its Shariah Advisor, successfully launched auto takaful products in October 2014 and became the first window takaful operator to launch operations in Pakistan.

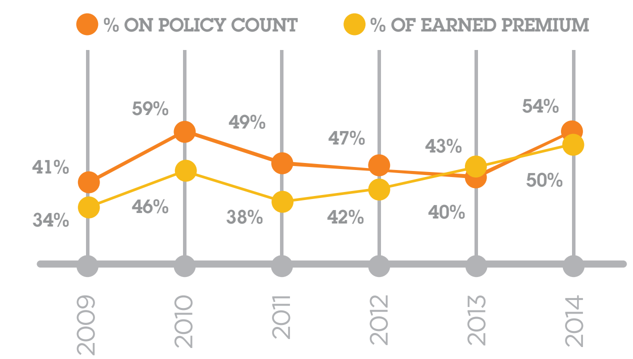
This additional line of business will allow us to expand into new solutions, addressing explicit requests from a number of clients and business partners and further developing the market.

CLAIMS ANALYSIS

In 2014, we faced a strong increase of both the claims frequency and severity. The surge in claims is due to increase in theft of vehicles, heavy accidental losses and impact of GST on auto parts as a result of change of regulation. The claim ratio of the company however still remains one of the lowest in the industry, driven by strong risk management techniques, compliance controls as well as end-to-end use of technology and automation.

We see strict control of claims as a fundamental driver of success, both for the policyholders as well as for its shareholders.

YEARLY CLAIMS INCURRED		
YEAR	% ON POLICY COUNT	% OF EARNED PREMIUM
2009	41%	34%
2010	59%	46%
2011	49%	38%
2012	47%	42%
2013	40%	43%
2014	**54%**	**50%**



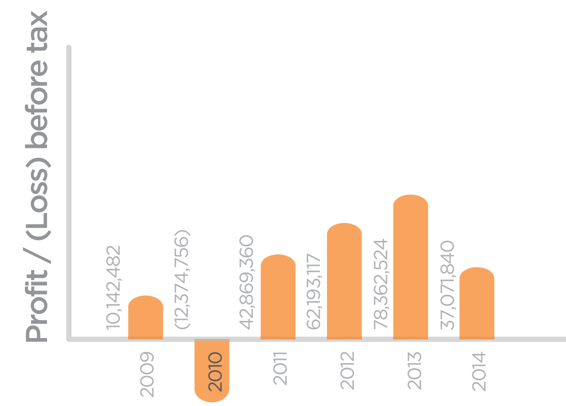
REINSURANCE

For 2014, our lead reinsurers were "A" rated Hannover Re with 50% share, followed by Trust Re with 15% and 35% with Pakistan Reinsurance Company Limited. For the year 2015, the Company has continued its reinsurance agreement with 50% by Hannover Re, followed by 15% Trust Re and 35% with Pakistan Reinsurance Company Limited.

FINANCIAL REVIEW

PROFITABILITY AND GROWTH

The Company has recorded a pre-tax profit of Rs. 37.07 million as against a profit of Rs. 78.36 million last year. The lower profitability of the business is largely driven by the deterioration of the claims ratio (50% from 43% in 2013) as well as one-off investments for the future. The pre-tax and post-tax basic earnings per share are Rs. 0.80 and Rs. 0.52 respectively (2013: Rs. 1.70 and Rs. 1.12).

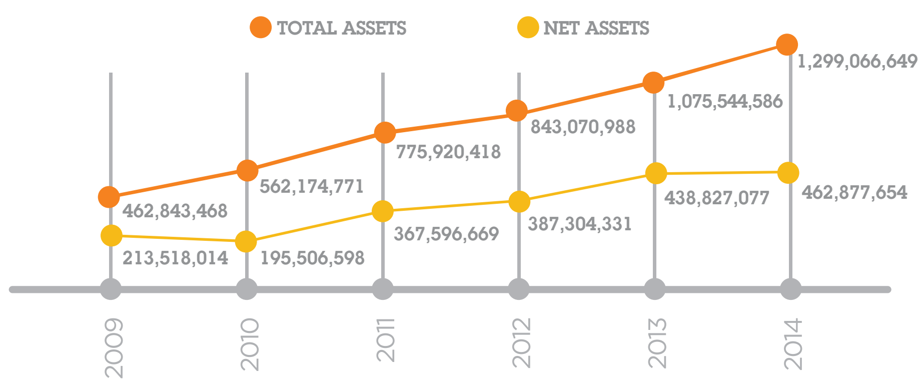


YEAR	PROFIT / (LOSS) BEFORE TAX
2009	10,142,482
2010	(12,374,756)
2011	42,869,360
2012	62,193,117
2013	78,362,524
2014	**37,071,840**

We have developed plans to continue growing the Company's premium base as well as significantly increase its profitability to achieve higher returns for our shareholders. Premium growth initiatives include further expansions on the existing products and segments (motor, micro-health, window takaful operations) as well as the expansion into other lines of business and segments.

The Company has improved its assets base over the years and has cemented a strong platform to launch new and value added insurance products in the market.

YEAR	TOTAL ASSETS	NET ASSETS
2009	462,843,468	213,518,014
2010	562,174,771	195,506,598
2011	775,920,418	367,596,669
2012	843,070,988	387,304,331
2013	1,075,544,586	438,827,077
2014	**1,299,066,649**	**462,877,654**



SOLVENCY

We have reviewed the solvency position and hereby confirm that the Company is solvent as at 31st December, 2014 and subsequent to the year end. SECP vide its Circular 21 of 2014 dated 30th December 2014 has allowed the insurance companies up till 30th June 2015 to manage their solvency positions after which related party assets will not be allowed as admissible. The Company's financial projections and current solvency position confirms that the Company has sufficient solvency to meet regulatory requirements.

INVESTMENTS

As at 31st December 2014, investments made by the Company stands at Rs. 49.94 million (2013: Rs. 153.24 million) which mainly comprise of investments in government securities amounting to Rs. 48.47 million. The shares of a group company representing 10,000,000 shares of Rs. 10 each were sold at Rs. 107.77 million to an associated company details of which are disclosed in the financial statements of the Company.

DIVIDEND

We, the Board of Directors, recommend to hold the profit for the year as retained earnings and to invest in structural improvements and new innovative products to enhance future profitability of the Company.

AFFILIATION WITH GREENOAKS GLOBAL HOLDINGS LTD.

TPL Trakker Limited entered into a share purchase agreement with Greenoaks Global Holdings Ltd. (GGH) dated 11th October 2014 to sell 33% of its shareholding in the Company to GGH at a share price of Rs. 30 per share. Consequently, GGH offered general public, under Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Ordinance, 2002, to acquire their shares at Rs. 30 per share.

Subsequent to the year end, GGH has acquired 7,500,500 and 15,180,000 (total: 22,680,500) ordinary shares of Rs. 10 each of the Company from general public and TPL Trakker Limited respectively.

Further, the shareholders of the Company, in Extraordinary General Meeting held on 27th February 2015, have approved the issuance of shares without rights to GGH under section 86(1) of the Companies Ordinance, 1984. The said issuance represents 29,515,899 ordinary shares of the Company at a share price of Rs. 15 per share subject to regulatory approvals. The issuance will raise the shareholding of GGH to 69% in the Company and the equity of the Company will rise over Rs. 900 million.

INFORMATION TECHNOLOGY

Information Technology division of the Company ensures optimum utilization of the available IT resources to achieve business objectives. Continuous improvement of business processes and IT infrastructure with the changing technologies and business dynamics is ensured. Strong emphasis is given on staff training to keep them updated with the latest technology standards. Information Systems Security and Disaster Recovery Management are given primary importance to safeguard Company's information assets. Information Technology division of the Company operates through its data center and has fiber connectivity network for GSM / Telecom providers to minimize any chance of disruption. To keep pace with the growth and technological advancement in the industry, following prominent IT assignments have been undertaken by the Company during the year;

Insurance Management System: The Company has launched a new business application Insurance Management System that will cater business needs for Motor (Conventional and Takaful), Travel and Health businesses. This system covers detailed processes and features for Sales, Underwriting, Claims and Call Centre. It will not only increase controls and monitoring of Key Performance Indicators but also provide the much needed flexibility and efficiency to further increase our penetration by improving sales and claim services.

Yodelee Mobile Application: The Company introduced a mobile application called "Yodelee". With the new "Yodelee" smart phone app, customers can now enquire about the status of their claims from their mobile phone, monitor and renew existing policies.

TEXT: The Company has launched "TEXT" services through an 8398 SMS whereby existing and prospective customers can chat by typing TDI. Customers can lodge claims request, update policy details and more by sending their details through SMS chat.

Health Insurance Web Portal: The Company has provided the Health Micro insurance web portals to Tameer Bank and Telenor Easy Paisa for online proposal creation. It will help the partners to initiate the proposal at their end quickly. The Company will further perform policy issuance, endorsements and claims activities at their end.

Disaster Recovery Site: The Company has a disaster recovery site for primary business applications as a business continuity plan. This has reduced the risk of an outage of business applications in case of an unforeseen event and the service to our customers will continue without material disruption.

CREDIT RATING AND AWARDS

The Pakistan Credit Rating Agency Ltd. (PACRA) has upgraded the credit rating of the Company to “A” from “A-” during the year.

For the sixth consecutive year, TDI was conferred with the “Brands of the Year Award” for Best Motor Insurance Company in Pakistan.

KEY FINANCIAL DATA FOR THE LAST SIX YEARS

(Rs. in millions)

BALANCE SHEET	2014	2013	2012	2011	2010	2009
Paid up share capital	452.31	452.31	452.31	452.31	310.00	310.00
Accumulated losses	10.56	(13.49)	(65.00)	(84.66)	(114.49)	(96.48)
Total Equity	**462.88**	**438.83**	**387.31**	**367.65**	**195.51**	**213.52**
Investments	49.94	153.24	149.27	163.11	33.85	38.84
Fixed assets	308.70	169.09	120.16	106.35	112.07	141.11
Capital work in progress	4.84	19.05	47.89	147.93	161.00	129.85
Cash and bank deposits	89.84	108.35	17.77	22.06	4.66	1.81
Other assets	845.74	625.82	507.98	336.52	252.51	149.42
Total Assets	**1,299.07**	**1,075.54**	**843.07**	**775.98**	**564.08**	**461.03**
Underwriting liabilities	756.07	568.00	418.84	314.78	264.37	183.94
Short term finance	-	-	-	-	37.27	24.46
Other liabilities	81.10	68.72	36.90	93.54	66.93	39.10
Total Liabilities	**836.18**	**636.72**	**455.74**	**408.32**	**368.58**	**247.51**

PROFIT AND LOSS	2014	2013	2012	2011	2010	2009
Gross premium written	1,220.80	869.88	706.48	513.33	409.42	289.51
Net premium revenue	1,056.41	733.46	619.85	453.63	331.29	223.57
Underwriting expenses	(956.58)	(619.88)	(532.39)	(380.68)	(313.48)	(194.14)
Underwriting results	99.83	113.58	87.46	72.96	17.82	29.43
Investment income and other income	92.87	74.34	82.63	41.74	19.48	12.25
Administrative and other expenses	(155.62)	(109.56)	(107.89)	(71.82)	(49.67)	(31.54)
Profit / (Loss) before tax	37.07	78.36	62.19	42.87	(12.37)	10.14
Profit / (Loss) after tax	**24.05**	**51.52**	**42.71**	**29.83**	**(18.01)**	**1.86**

AUDITORS

M/s KPMG Taseer Hadi & Company, Chartered Accountants are retiring and have audited the financial statements of the Company for the past five years.

CORPORATE SOCIAL RESPONSIBILITY

The Company is well aware of its corporate social responsibility and has always ensured high ethical values, standards and transparency on social needs and community involvement. The Company focuses on actions which go beyond the interests of the firm by contributing to social good of the society at large as well as improving the quality of life of underprivileged members of our society without compromising on their pride and dignity.

The Company believes in an approach of “giving something back” and has been an active contributor in the development of education and health sector. During the year the Company disbursed over Rs. 5 million under charity and donations including a contribution to Institute of Business Administration (IBA) amounting to Rs. 2.5 million for the development of educational facilities.

The Company has made various contributions to institutions working for the betterment of disabled and homeless children. The Company also contributed to health sector in order to enhance the living standards of under privileged masses. The Company invests in systems and solutions that address social challenges such as poor education outcomes, low health and living standards and improving the economic well being of the people wherever they are, regardless of race, color, religion or ethnicity.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Board is fully aware of its corporate responsibilities as envisaged under the Code of Corporate Governance, prescribed by the Securities and Exchange Commission of Pakistan and is pleased to certify that:

- The financial statements prepared by the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- The Company has maintained proper books of accounts as required under Companies Ordinance, 1984.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;

- International Financial Reporting Standard as applicable in Pakistan has been followed in the preparation of the financial statements and any departure there from have been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- The fundamentals of the Company are strong and there are no doubts about Company's ability to continue as a going concern.
- The Company has followed the best practices of the Corporate Governance as laid down in the Listing Regulations of the stock exchanges and there has been no material departure there from.
- Key operating and financial data for the last six years in summarized form, is included in this annual report.
- No significant deviations from last year's operating results have been noted apart from claims cost which is fully explained in the report.
- Statutory payments on account of taxes, duties, levies and charges outstanding are in the normal course of business.
- The board arranged training programs for two of its directors since 2012, whereas one director is exempt from the aforesaid training in compliance with the Code of Corporate Governance.
- The value of investments including accrued income of provident fund on the basis of unaudited accounts of the provident fund as on 31st December 2014 is Rs. 17.06 million.

INSURANCE ORDINANCE 2000

As required under the Insurance Ordinance 2000 and rules framed there under, the Directors confirm that:

- In their opinion and to the best of their belief, the annual statutory accounts of the Company set out in the forms attached with this statement have been drawn up in accordance with Insurance Ordinance 2000 and rules made there under. However, certain modifications have been made to incorporate results from the Window Takaful Operations of the Company in absence of any prescribed format for Window Takaful Operations.
- The Company has at all times in the year complied with the provisions of the Ordinance and the rules made there under relating to the paid up capital, solvency and reinsurance arrangements; and as at the date of the statement, the Company continues to be in compliance with the provisions of the Ordinance and rules framed there under as mentioned above.

CODE OF CONDUCT

The Company ensures that all its activities are carried out in a transparent manner strictly following the code of business ethics with zero tolerance.

PATTERN OF SHARE-HOLDING

A statement of pattern of share-holding of the Company as at 31st December 2014 is as follows:

SHAREHOLDER'S CATEGORY	NUMBER OF SHARES HELD	PERCENTAGE OF SHAREHOLDING
Associated Companies	34,146,114	74.23%
Directors, their spouses and minor children	221,000	0.48%
Banks, DFIs and NBFIs	4,141,360	9.01%
Modarabas and Mutual Funds	1,399,626	3.04%
Others	6,091,900	13.24%
Total	46,000,000	100%

TRADING IN COMPANY'S SHARES

No trading in Company's shares was carried out in 2014 as defined under sub-section (2) of Section 222 of the Companies Ordinance 1984.

BOARD MEETINGS

The Board of Directors held four meetings in 2014. Attendance of Directors is indicated below:

NAME OF DIRECTOR	MEETINGS ATTENDED
Mr. Jameel Yusuf	4
Mr. Ali Jameel	4
Mr. Saad Nissar	4
Mr. Adil Matcheswalla	2
Mr. Mustafa Ali	2
Syed Nadir Shah	4
Syed Kazim Hasan	4

ACKNOWLEDGEMENT

We would like to thank the shareholders of the Company for the confidence they have reflected in us. We also appreciate the valued support and guidance provided by the Karachi Stock Exchange, Federal Board of Revenue, Sindh Revenue Board, Punjab Revenue Authority, Central Depository Company and Securities and Exchange Commission of Pakistan over time. We would also express our sincere thanks to the employees, strategic partners, vendors, bankers and customers for their support in pursuit of our corporate objectives.

SAAD NISSAR
CHIEF EXECUTIVE OFFICER

PATTERN OF SHAREHOLDING
AS ON 31ST DECEMBER 2014

NO. OF SHAREHOLDERS	FROM	TO	SHARES HELD	PERCENTAGE %
161	1	100	1,239	0.00
105	101	500	50,624	0.11
66	501	1,000	64,607	0.14
65	1,001	5,000	188,257	0.41
13	5,001	10,000	118,110	0.26
2	10,001	15,000	28,500	0.06
8	15,001	20,000	153,695	0.33
4	20,001	25,000	93,974	0.20
1	35,001	40,000	40,000	0.09
5	45,001	50,000	245,644	0.53
1	80,001	85,000	84,500	0.18
1	85,001	90,000	87,626	0.19
2	95,001	100,000	196,626	0.43
1	105,001	110,000	110,000	0.24
2	140,001	145,000	284,500	0.62
1	200,001	205,000	202,500	0.44
1	215,001	220,000	220,000	0.48
1	230,001	235,000	232,500	0.51
1	285,001	290,000	289,847	0.63
1	310,001	315,000	314,000	0.68
1	460,001	465,000	464,500	1.01
1	1,075,001	1,080,000	1,079,500	2.35
1	1,250,001	1,255,000	1,251,000	2.72
1	1,910,001	1,915,000	1,910,777	4.15
1	3,145,001	3,150,000	3,147,114	6.84
1	4,140,001	4,145,000	4,141,360	9.00
1	30,995,000	31,000,000	30,999,000	67.39
449	COMPANY TOTAL		46,000,000	100

CATEGORY OF SHAREHOLDING
AS ON 31ST DECEMBER 2014

SHAREHOLDER'S CATEGORY	NO. OF SHAREHOLDERS	NUMBER OF SHARES HELD	PERCENTAGE OF SHAREHOLDING
ASSOCIATED COMPANIES/UNDERTAKINGS AND RELATED PARTIES			
TPL Trakker Limited	1	30,999,000	67.39%
TPL Holdings (Pvt) Limited	1	3,147,114	6.84%
DIRECTORS, THEIR SPOUSES AND MINOR CHILDREN			
Mr. Saad Nissar	1	220,000	0.48%
Mr. Jameel Yusuf	1	500	0.00%
Mr. Ali Jameel	1	500	0.00%
BANKS, DFIS AND NBFIS, MODARABA ETC			
National Bank of Pakistan	1	4,141,360	9.00%
MUTUAL FUNDS			
Golden Arrow Selected Stocks Fund Limited	1	1,079,500	2.35%
CDC - Trustee AKD Opportunity Fund	1	232,500	0.51%
CDC - Trustee NAFA Stock Fund	1	87,626	0.19%
MORE THAN 5% VOTING RIGHTS			
TPL Trakker Limited	1	30,999,000	67.39%
National Bank of Pakistan	1	4,141,360	9.00%
TPL Holdings (Pvt) Limited	1	3,147,114	6.84%

05

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **TPL Direct Insurance Limited** ("the Company") for the year ended 31st December 2014 to comply with the best practices of Code of Corporate Governance.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31st December 2014.

Further, we highlight below instances of non-compliance with the requirments of the Code as reflected in the paragraph refrences where these are stated in the Statement of Compliances:

PARAGRAPH REFERENCE	DESCRIPTION
24	The Board has not formulated a mechanism for an annual evaluation of the Board's own performance.

Kpmg Taseer Hadi & Co

DATE: 17TH MARCH, 2015
KARACHI

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31ST DECEMBER, 2014

This statement is being presented to comply with the Code of Corporate Governance contained Regulation No. 35 of listing regulations of the Karachi Stock Exchange Limited and SRO 68(I)/2003 issued by Securities and Exchange Commission of Pakistan for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the Code of Corporate Governance in the following manner:

1. The company encourages representation of independent, non-executive directors and directors representing minority interests on its board of directors. As on 31st December 2014, the Board included:

CATEGORY	NAMES
Independent Directors	Syed Nadir Shah, Adil Matcheswalla
Executive Directors	Saad Nissar, Syed Kazim Hasan
Non-Executive Directors	Jameel Yusuf, Ali Jameel, Mustafa Ali

The independent directors meet the criteria of independence under clause i (b) of the Code of Corporate Governance.

2. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this company.

3. All Directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy had occurred on the Board during the year.

5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Directors are well conversant with the listing regulations and corporate requirements and as such are fully aware of their duties and responsibilities. At present two directors have acquired the formal Director's Training Certificates from the Pakistan Institute of Corporate Governance (PICG).

10. There was no new appointment of CFO, whereas Company Secretary and Head of Internal Audit were duly approved and appointed by the Board, including their remuneration and terms and conditions of employment, during the year.

11. The Directors' report for the year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.

15. The Board has formed underwriting / claim settlement / reinsurance & co-insurance committee (s).

16. The board has formed an Audit Committee. It comprises of three members, of whom two are Non-Executive Directors and the Chairman of the committee is an Independent Director.

17. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code of Corporate Governance. The terms of reference of the audit committee have been formed and advised to the audit committee for compliance.

18. The board has formed a Human Resource and Remuneration Committee. It comprises of four members, of whom three are Non-Executive Directors and the Chairman of the committee is an Independent Director.

19. The board has set up an effective internal audit function that is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.

20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan (ICAP).

21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

22. The 'Closed Period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange.

23. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.

24. The board of directors has not formulated a mechanism for an annual evaluation of the Board's own performance.

25. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with.

For and on behalf of Board of Directors,

SAAD NISSAR
CHIEF EXECUTIVE OFFICER

MUHAMMAD ALI JAMEEL
DIRECTOR

06

MANAGEMENT'S CORNER

PRINCIPAL MANAGE-MENT COMMITTEES

The following Committees act at the operation level in an advisory capacity providing recommendations relating to business matters:

UNDERWRITING COMMITTEE

Underwriting Committee ensures that underwriting activities are in line with strategic goals and risk policies devised by the Board of Directors. The committee periodically reviews the policies and procedures governing the insurance and reinsurance underwriting business: policies regarding agents, brokers, insured, ceding company and reinsurer. The committee continually evaluates the professional and development plans for key insurance and reinsurance underwriting and actuarial functions and ensures that controls over underwriting business are adequate and effective.

MEMBERS:

Saad Nissar - Chairman
Romain Dequesne - Member
Syed Kazim Hasan - Member
Kamran Hanif - Member and Secretary

CLAIMS COMMITTEE

Claims Committee is responsible for establishing, implementing and maintaining claims processing time; monitoring and ensuring transparency and fairness: reviewing the salvages made from claim recoveries. The committee continually reviews the policies and procedures for claim settlement and claim recovery from coinsurers and reinsurers.

MEMBERS:

Saad Nissar - Chairman
Syed Kazim Hasan - Member
Naveed Ahsan - Member and Secretary

CO-INSURANCE AND REINSURANCE COMMITTEE

Coinsurance and Reinsurance Committee monitors the process of coinsurance and reinsurance. The committee continually evaluates the counter party risk and the level of risk assumed by TDI, the commissions charged and paid on outward and inward cessions and such other responsibilities as the Board of Directors may from time to time assign to ensure that the objectives and goals of the Company are achieved.

MEMBERS:

Saad Nissar - Chairman
Andrew Borda - Member
Syed Kazim Hasan - Member
Naveed Ahsan - Member
Kamran Hanif - Member and Secretary

MANAGEMENT TEAM

CRITICAL SERVICE INDICATORS

TDI has pioneered the concept of direct insurance in Pakistan with a pledge to provide utmost convenience, swift claims settlement, round the clock availability, value additions with insurance products and to top it all, personalized services to its customers. The critical performance indicators for TDI revolve around the satisfaction that its customers drive from its services.

To ensure ultimate peace of mind for customers, TDI has recognized service benchmarks for the Company. TDI has introduced the fastest claim lodging and processing time with claim lodging in 60 seconds, processing in 45 minutes and settlement in 7 days for auto insurance customers.

60 SECONDS CLAIM LODGING	45 MINUTES CLAIM PROCESSING	7 DAYS CLAIM SETTLEMENT

TDI offers various value added services for its customers such as; free use of tracker facility, 24/7 call centre to assist in claims settlement and round the clock EVAC services in Karachi. To honor its valuable customers, TDI has introduced "no claim bonus" for its auto and health insurance to reward safe drivers and healthy customers. No claim bonus allows TDI customers to take benefits of maintaining healthy life-styles and safe driving patterns. Further, TDI has authorized pre approved limits of Rs. 25,000/- to various 3S dealers to facilitate swift settlement of claims to auto insurance customers without hassle of claim surveys.

FREE USAGE OF TRACKER FACILITY	24/7 CALL CENTRE	NO CLAIM BONUS	AUTHORIZED 3S WORKSHOPS	FREE EVAC SERVICES

TDI is underwriting health insurance and is offering cash less health claims facility at 220+ network hospitals across Pakistan and reimbursement of non network hospital claims in 15 days. TDI, keeping in track with its innovativeness, has for the first time launched scratch card micro health insurance with SMS and Call Centre based activation. TDI employs a team of doctors to facilitate its health insurance claims round the clock.

CASH LESS CLAIMS IN 220+ HOSPITALS	15 DAYS CLAIMS SETTLEMENT FOR NON PANEL HOSPITALS	IN-HOUSE PANEL OF DOCTORS	INSTANT POLICY THROUGH WEB PORTAL	TOLL FREE NUMBER

RISK & RISK MANAGE-MENT TOOLS

Managing risk is central to the sustainability of TDI's business and delivery of value to shareholders. TDI's risk management framework is a core part of the governance structure and includes internal policies, key management processes and culture.

OVERSIGHT STRUCTURE

The key underlying principles that influence TDI's approach to managing risk are documented in the Risk Management Strategy (RMS) which is as follows:

- Managing risk is an integral part of achieving TDI's strategic objectives;
- Accepting risk management is not avoidance of all risks. Rather, risks need to be identified and evaluated against the levels of risk TDI is willing to take and those risks are appropriately managed and monitored;
- To consider the reasonable expectations of all external stakeholders including customers, shareholders, the community and regulators in considering factors which bear upon TDI's continued financial strength;
- To comply with legal, regulatory and statutory obligations; and
- A proactive risk management culture at all staff levels within TDI, providing the basis for appropriate and sustainable risk management.

The risk categories identified by the RMS process are as follows:

RISK CATEGORIES	DEFINITION OF RISK
STRATEGIC RISK	Strategic risk may arise from the following sub-categories: 1. Strategic Objectives: Flawed strategy or the failure to meet strategic initiatives due to capital constraints, divisional strategic misalignment, technology and other resource inhibitors. 2. Business Environment Changes: Changes in the business environment or lack of responsiveness to changes in the business environment
INSURANCE RISK	Insurance risk may arise from the following sub-categories: 1. Product Pricing: Inadequate or inappropriate product pricing. 2. Product Design: Product defects due to inadequate product design, variation, delivery or maintenance. 3. Reserving: Inadequate or inappropriate reserving including unforeseen, unknown or unintended liabilities that may eventuate.

RISK CATEGORIES	DEFINITION OF RISK
	4. Claims Management: Inadequate or inappropriate claims management including overpayment, failure to collect recoveries, fraudulent misrepresentation or staff operating outside of their authority. 5. Underwriting: Inadequate or inappropriate underwriting. For example, failure to comply with the underwriting process, including staff operating outside of their authority. 6. Insurance Concentration Risk: Adverse concentration exposure. For example, location catastrophe exposure, underwriting segment factor, industry or distribution channel.
REINSURANCE RISK	Reinsurance risk may arise from the following sub-categories: 1. Coverage: Insufficient or inappropriate reinsurance coverage arising as a result of: o incorrect use of models used to calculate amount of cover required; o the cover provided by the reinsurance program(s) does not align with original underwriting exposures; and o emerging exposures 2. Underwriting / Pricing: Inadequate underwriting and/or pricing of reinsurance exposures retained by reinsurance captives. 3. Claims Management: Inadequate or inappropriate reinsurance recovery management. 4. Contract Terms: Reinsurance arrangements not legally binding or poor management of reinsurance recoveries. 5. Reinsurance Concentration Risk: Over-exposure to insurance risks based on factors such as geographical location, types of cover, industry types, etc or a high reliance on a number or reinsurers.
FINANCIAL RISK	Financial risk may arise from the following sub-categories: 1. Liquidity Management: Insufficient cash resources to meet financial obligations as and when they fall due. 2. Market Risk - Asset Concentration: Risk of over-exposure to a particular asset class or the limits in the individual Investment Agreements 3. Market Risk - Asset Prices: The risk that an asset's value will negatively change due to a change in the absolute level of its market price.

RISK CATEGORIES	DEFINITION OF RISK
	4. Market Risk - Interest Rates: The risk that an investment's value will negatively change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship. 5. Credit Risk: The risk arising from counterparty's failure to meet its obligations in accordance with the agreed terms. These counter parties include investments, reinsurers and premium debtors. 6. Capital Management: Failure to maintain adequate regulatory capital to meet the capital requirements.
OPERATIONAL RISK	Operational risk may arise from the following sub-categories: 1. Fraud: Any act or omission, by any person, made with dishonest or potentially illegal intent, to obtain a benefit or advantage, for one's self or any other person. 2. Supply & Distribution Chain: A service provider, outsourcer, internal distribution channels disruption, non-performance or non-adherence to service level agreements that causes an impact on business operations or its ability to manage risk effectively. 3. Project & Change Management: Failure to deliver the expected benefit of an initiative, or inadequate implementation of a project initiative. 4. Process Management: Human or system failure to deliver intended objectives. 5. Business Continuity Management: Any event that disrupts business operations and/or performance. 6. Compliance: Failure to identify, interpret or comply with regulatory or legislative requirements. 7. System Integrity / Security & Information Management: Inadequate system design or capabilities to maintain business functionality, information security or information management.

IMPLEMENTATION AND REPORTING

The Audit Committee fulfils an advisory role to the Board of Directors and provides the operational oversight of risks, risk management and internal control system. All company executives are responsible for:

- overseeing implementation of Board approved policies;
- overseeing the ongoing implementation of, and compliance with, RMS, reinsurance requirements, business insurance licenses, internal control system and monitoring risks;
- authorizing capital allocation to major projects within financial delegation limits approved by the Board;
- conducting periodic financial performance reviews of the business divisions;
- reviewing the performance in the areas of health, safety, environment and community;
- reviewing the effectiveness of governance practices established at the business division level;
- reviewing human resource performance and reward strategies; and
- promoting and reinforcing risk management culture;
- reviewing corporate strategies and the performance of TDI and its business divisions compared to budgets and corporate plans;
- formulating recommendations to the Board concerning issues related to capital management and risk management, including reinsurance, credit risk and asset allocation;
- conducting periodic financial performance reviews of TDI's businesses; and
- reviewing the effectiveness of governance practices established at TDI.

TDI's internal audit functions provide regular reports to the Audit Committee on the operation of TDI's risk management framework, the status of key risks, details of significant audit findings, risk and compliance incidents, and risk framework changes.

RISK REPORTING

Reporting on risk management initiatives and issues is provided to:

- the Board of Directors;
- the Group executives; and
- regulators and industry groups, where relevant and appropriate

In addition, executives are required to attend and report to the board and operations committees on the effectiveness of the risk management embedded in their respective business divisions.

SYSTEM OF INTERNAL CONTROLS

DEFINITION:

TDI has established the following definition for internal controls:

Internal Control is a continuous set of processes carried out by an entity's board of directors, management and all personnel, designed to provide reasonable assurance of:

- Effectiveness and efficiency of operations
- Reliability of financial and non-financial information
- An adequate control of risks
- A prudent approach to business
- Compliance with laws and regulations, and internal policies and procedures

Internal control should strengthen the internal operating environment of the company, thereby increasing its capability to deal with external and internal events and uncover possible flaws and deficiencies in processes and structures.

COMPONENTS OF SYSTEM OF INTERNAL CONTROLS:

Components of system of internal controls have been devised from the generally accepted and agreed principles as under:

I) Control Environment

II) Risk Assessment

III) Control Activities

IV) Information and Communication

V) Monitoring

I) CONTROL ENVIRONMENT

Control environment encompasses the attitude and style of the board of directors and the management of the Company. The Board of Directors of TDI is responsible for promoting a high level of integrity and for establishing a culture within the company that emphasizes and demonstrates to all levels of personnel the importance of internal controls. Management is responsible for the implementation of the internal control culture and principles devised by the Board. Board of Directors complies with all the requirements of the Companies Ordinance 1984, and Code of Corporate Governance as applicable to them and regularly meets to discuss the affairs of the Company. To demonstrate its commitment to internal control, the Board of Directors has formed 3 committees as under:

A) AUDIT COMMITTEE:

Audit committee comprises of 4 non executive directors of TDI and is responsible for the overall determination of appropriate measures to safeguard Company's assets; review of periodical financial statements of the Company; review and follow up of management letter issued by external auditors to improve the control environment; review of the internal audit function; ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective; instituting special projects, other investigations on any matter specified by the Board of Directors; monitoring compliance with the laws and regulations applicable to the Company and best practices of corporate governance etc. Audit Committee meets atleast every quarter to review the financial statements of the Company and to review and conduct the matters as detailed above.

B) HUMAN RESOURCE AND REMUNERATION COMMITTEE:

Human resource and remuneration committee comprise of 4 members including CEO of TDI. The committee is responsible to develop and implement policies and procedures for induction, training and performance of the human capital. The committee is responsible to maintain performance review and management policies and procedures to ensure that compensation is based on performance. Further, the committee has established and regularly reviews the code of corporate and business ethics that is circulated to all employees of TDI.

C) FINANCE AND INVESTMENT COMMITTEE

Finance and Investment Committee comprise of 4 members and is responsible for setting investment policies and guidelines for TDI; overseeing investment and reinvestment of the funds, monitoring the liquidity and solvency requirements of TDI; evaluating investment performance of the funds based on a comparison of actual returns with benchmarks as the Board or Committee may mark from time to time.

II) RISK ASSESSMENT

Risk Assessment is a continuous process and to establish and maintain an effective system of internal control, TDI regularly assesses both the internal and external risks that it faces. Assessments include the identification and analysis using quantitative risk measurement using stress testing etc and qualitative risk analysis like risk mapping etc for all significant risks.

A) RISK MANAGEMENT COMMITTEE

Management has formed a Risk Management Committee responsible for; identification of risks to the operations and business of TDI, analysis and categorization of these risks, and developing policies and taking decisions to mitigate these risks.

Potentially significant risks for the insurance sector include underwriting risk, credit risk including reinsurance risk, market risk including interest rate risk, investment risk and solvency risk, and operational risk. Risk Management Committee continually evaluates the risks arising from insurance operations and separate committees for major functions have also been formed for risk management purposes namely underwriting committee, claims committee, and co-insurance and re-insurance committee.

Risk Management Committee decides the level of tolerance for the identified and analyzed risks and the extent to which it wants to assume them or not. The level of risk tolerance is established and reviewed by the Board of Directors on a periodic basis. TDI cedes its underwriting risk through co-insurance and reinsurance. Further, a periodical segmental analysis has been conducted before penetrating and pricing of a segment to determine the underwriting related risks of the said segment.

III) CONTROL ACTIVITIES

An adequate Internal Control System requires the implementation of effective and efficient control activities at all levels of the entity. The management of TDI has implemented its system of internal controls in line with the goals and strategies set up by the Board of Directors. As an integrated part of daily business, these control activities are reviewed on an on-going basis.

Control activities are carried out through all levels of TDI enhancing transparency of business activities and involving the board of directors, the management and all other personnel of the company in those activities.

The Board of Directors has overall responsibility for ensuring that an adequate and effective system of internal control is established and maintained. The Board of Directors provides direction, guidance and suitable prudential oversight, ensuring that TDI is appropriately and effectively managed and controlled and complying with laws and regulations applicable to TDI.

Management is responsible for carrying out the directives of the Board of Directors, including the implementation of strategies and policies and the establishment of an effective internal control system. Management is responsible for the effectiveness of the organizational and procedural controls and for keeping the Board of Directors updated as to the effectiveness and appropriateness of the internal control system. TDI has 3 management committees to manage the risk and internal control system of the Company.

A) UNDERWRITING COMMITTEE

Underwriting committee ensures that underwriting activities are in line with strategic goals and risk policies devised by the Board of Directors. The committee periodically reviews the policies and procedures governing the insurance and reinsurance underwriting business; policies regarding agents, brokers, insured, ceding company and reinsurer. The committee continually evaluates the professional and development plans for key insurance and reinsurance underwriting and actuarial functions and ensures that controls over underwriting business are adequate and effective.

B) CLAIMS COMMITTEE

Claims committee is responsible for establishing, implementing and maintaining claims processing time; monitoring and ensuring transparency and fairness; reviewing the salvages made from claim recoveries. The committee continually reviews the policies and procedures for claim settlement and claim recovery from co-insurers and reinsurers.

C) CO-INSURANCE AND REINSURANCE COMMITTEE

Coinsurance and reinsurance committee monitors the process of coinsurance and reinsurance. The committee continually evaluates the counter party risk and the level of risk assumed by TDI, the commissions charged and paid on outward and inward cessions and such other responsibilities as the Board of Directors may from time to time assign to ensure that the objectives and goals of the Company are achieved.

IV) INFORMATION AND COMMUNICATION

TDI ensures reliable information at all levels of the entity to ensure effective decision making and reporting process. Internal control systems ensure the effectiveness of communication and maintain the accuracy, completeness, timeliness, reliability, consistency and transparency of the data.

A) INFORMATION TECHNOLOGY STEERING COMMITTEE

Management has established an Information Technology Steering Committee responsible for devising long term and short term plans for information technology. The committee is responsible for identification of information needs of TDI and reviewing and approving major IT related projects. The committee caters for the training needs of the users and adequacy of resources and its allocation. Security of information assets is reviewed by the committee on a regular basis and managerial, operational and technical controls are evaluated periodically.

The committee is also responsible for ensuring that all employees are familiar with their roles, responsibilities and duties in relation to Internal Control over information assets of TDI.

V) MONITORING

TDI continually monitors its system of internal controls for its efficiency and effectiveness. As an integral part of an internal control system, in keeping with the diversity and complexity of the insurance industry, and in accordance with the requirements of code of corporate governance, an effective and comprehensive internal audit department has been established which employees appropriately trained, qualified and competent staff.

A) INTERNAL AUDIT

The internal audit function conducts thorough audits of all functions of TDI to provide reasonable assurance that Internal Control objectives are met. The internal audit function reports directly to management and have direct access to the Board of Directors through Audit Committee. The deficiencies and recommendations identified by the internal audit are reported, in a timely manner, to the appropriate management level ensuring that the evaluation is not biased in any way and that issues arising thereof are promptly addressed. The internal audit department ensures that all laws and regulations applicable to TDI are complied with the policies and procedures devised by the Board of Directors and management of TDI.

B) EXTERNAL AUDITS

Further, external audits are regularly conducted over the financial statements of TDI. External auditor's report, letters to the Board of Directors and letter to management are actively discussed and followed up in the committees of the Board of Directors and management committees.

CORPORATE SOCIAL RESPONS-IBILITY

TPL Direct Insurance (TDI) ensures that Corporate Social Responsibility functions as a self-regulatory mechanism that adheres to the spirit of the law, ethical values and standards and international/ national cultural norms. We focus on action which goes beyond the interests of the firm by contributing to social good of the society at large and by improving the quality of life of underprivileged members of our society without compromising on their pride and dignity.

We believe in an approach of "giving something back". Our policy is to contribute to health, educational institutes and various individuals / communities in order to improve the quality of life of every human facing social challenge. We also encourage contributions to Disaster Relief programs. Our commitment to CSR is deeply concentered within the very core of our business. We believe in "Creating Shared Value" i.e. emphasizing the concept that corporate success and social welfare are interdependent. Hence we thrive to achieve optimum balance between company's earnings and community's welfare.

The Company remains committed in its operational and financial disciplines in order to fulfill customer's desires with quality products. We encourage the policy of sharing our business gains with our stake-holders, along with a great sense of responsibility towards communities in need. We partner with public, private and non profits to make positive change in our local communities; we take measures to good governance and ethics. Moreover, we also give our teams the opportunities to focus on local needs and also encourage employees to use their passions, business skills and expertise to make a meaningful contribution to their communities.

We take great care in advancing our mission of promoting financial and social mobility for underdeveloped population segments. TDI invest in systems and solutions that address social challenges such as poor education outcomes, low health and living standards and improving the economic well-being of the people wherever they are, regardless of race, color, religion or ethnicity. We strive in order to attain a meaningful impact on society with a strong connection with our core competencies and that's the very reason and spirit through which we want to uplift the marginalized segments of the society.

Here at TDI, we also welcome the concept of social accounting i.e., communicating the social and environmental effects of organizations' economic actions to particular interest groups within society and to society at large. Moreover, we ensure that CSR is being implemented on the Board's agenda of corporate governance issues. We appreciated the ideas of integrity, accountability, transparency and disclosure in every business action and have also taken steps in enhancing the knowledge and understanding of compliance and ethical obligations through all levels of our employees and management. TDI clearly understands the philosophy of economic viability, social responsibility and environmental responsibility and take meaningful actions for their subsequent achievement.

SHARIAH ADVISOR'S REPORT ON COMPLIANCE

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِيْمِ

اَلْحَمْدُ لِلّٰهِ رَبِّ الْعٰلَمِيْنَ وَالصَّلٰوةُ وَالسَّلَامُ عَلٰى رَسُوْلِهِ الْكَرِيْمِ

INTRODUCTION

By the Grace of Allah, TPL Direct Insurance Limited ("the Company") was granted authorization by Securities and Exchange Commission of Pakistan ("SECP") to undertake Window Takaful Operations and the Company launched its Shariah Compliant "Direct Takaful" with the guidance and assistance of its Shariah Advisor.

The Company separated Rs. 50 million to create an operator fund out of its equity which will be utilized for the management of the Window Takaful Operations of the Company ("Direct Takaful"). Further, a Participant Takaful Fund ("PTF") is formed with cede money of Rs. 2 million from the Operators Fund.

The Company has introduced a Shariah Compliant Mechanism to monitor the functions of Direct Takaful. For this purpose, we have acquired the services of a Shariah Compliance Officer, who monitors and supervises the activities of Direct Takaful in liaison with the Shariah Advisor.

The Company arranged first phase of trainings for its employees on Takaful conducted by renowned scholars and is planning to disseminate further trainings throughout the year 2015. Direct Takaful maintains its deposits in Banks approved by its Shariah Advisor.

An effective Shariah compliance function is fundamental in achieving the objectives of Window Takaful Operations to operate as per Shariah principles and therefore an experienced Islamic scholar is appointed as Shariah Compliance Officer. Shariah Compliance Officer ensures that the functions of Direct Takaful including policy issuance, re-takaful arrangements, claim settlements and financial transactions are undertaken as per the applicable regulatory guidelines and instructions issued by the Shariah Advisor.

SCOPE AND OBJECTIVE OF SHARIAH REVIEW

The scope of the Shariah Review is to evaluate the overall functions of Direct Takaful in accordance with the Islamic Shariah Principles and guidelines laid by SECP. The objective of the Shariah Review is to determine that appropriate procedures and control mechanism is effectively in place for all major functions such as policy issuance, claims settlements, re-takaful arrangements, financial transactions of the direct takaful.

CONCLUSION

In my opinion, the structure and operations of Direct Takaful are in accordance with Shariah Principles and Takaful Rules issued by SECP.

The primary responsibility for ensuring Shariah compliance lies with the management of Direct Takaful. The services provided were reviewed and operations undertaken by Direct Takaful during the year ended 31st December 2014, in my opinion, were found in conformity with the principles and guidelines of Islamic Shariah.

I have proposed to conduct regular training sessions of staff performing functions of Direct Takaful to ensure that Window Takaful functions are conducted in true letter and spirit.

I pray that Allah Ta'ala show us all the righteous path. Allah Ta'ala knows better.

DATE: 17TH MARCH 2015
KARACHI

MUFTI MUHAMMAD YAHYA ASIM
SHARIAH ADVISOR

SHARIAH AUDITOR'S REPORT ON COMPLIANCE

Independent Assurance report to the Board of Directors and Shariah Advisor of TPL Direct Insurance Limited - Window Takaful Operations (WTO) in respect of WTO's compliance with the Shariah rules and principles

We have performed an independent assurance engagement (Shariah Compliance Audit) of TPL Direct Insurance Limited- Window Takaful Operations (WTO) to ensure that the WTO has complied with the Shariah rules and principles as prescribed by the Shariah of the WTO and the Takaful Rules, 2012, during the period from 1st October 2014 to 31st December 2014.

2. MANAGEMENT'S RESPONSIBILITY FOR SHARIAH COMPLIANCE

It is the responsibility of the WTO to ensure that the financial arrangements, contracts, products and transactions entered into by the WTO and TPL Direct Insurance Limited (Window Takaful Operations) - Participant Takaful Fund (PTF) with participants, other financial institutions and stakeholders are, in substance and in their legal form, in compliance with the requirements of Shariah rules and principles as determined by the Shariah Advisor and the Takaful Rules, 2012.

3. OUR RESPONSIBILITY

3.1. Our responsibility in connection with this engagement is to express an opinion, based on the procedures performed on a sample basis, whether these financial arrangements, contracts, products and transactions are in compliance with the requirements of the Shariah rules and principles as prescribed by the WTO's Shariah Advisor and the Takaful Rules, 2012.

3.2. The procedures selected by us for the engagement depended on our judgment, including the assessment of the risks of material non-compliance with the said Shariah rules and principles. In making those risk assessments, we considered such internal control procedures as were relevant to the WTO's compliance with Shariah rules and principles. Our engagement was, however, not intended for expressing opinion on the effectiveness of the WTO's internal controls for purposes of compliance with the Shariah rules and principles.

3.3. We believe that the evidence we have obtained through performing our procedures on a sample basis were sufficient and appropriate to provide a basis for our opinion.

3.4. During the course of our assignment, we came across certain matters that have been brought to the attention of the Shariah Advisor and the management of the WTO entailing certain Shariah issues. We were informed that it was the opinion of the Shariah Advisor that such matters have no materially adverse Shariah compliance effect. In addition, interpretation and conclusion of the Shariah Advisor of the WTO is considered final for the purpose of interpretation of the Shariah matters mentioned in the Takaful Rules, 2012.

4. FRAMEWORK FOR THE ENGAGEMENT

We have conducted our engagement in accordance with International Standard for Assurance Engagements 3000 (ISAE 3000) issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. This Standard requires that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance regarding the subject-matter i.e. the WTO's compliance with the Shariah rules and principles as determined by the Shariah Advisor and the Takaful Rules, 2012.

5. OUR OPINION

In our opinion, based on the sample selected, the financial arrangements, contracts, products and transactions entered into by the WTO and the PTF, as the case may be, for the period ended 31st December 2014, are in compliance with the requirements of the Shariah rules and principles as prescribed by the Shariah Advisor and the Takaful Rules, 2012 in all material respects.

DATE: 17TH MARCH 2015
KARACHI

ERNST & YOUNG FORD RHODES SIDAT HYDER
CHARTERED ACCOUNTANTS

FINANCIAL STATEMENTS

07

AUDITORS' REPORT TO THE MEMBERS OF TPL DIRECT INSURANCE LIMITED

We have audited the annexed financial statements comprising of:

(i) balance sheet;

(ii) profit and loss account;

(iii) statement of changes in equity;

(iv) statement of cash flows;

(v) statement of premiums;

(vi) statement of claims;

(vii) statement of expenses; and

(viii) statement of investment income

of TPL Direct Insurance Limited ("the Company") as at 31st December 2014 together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Company's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as, evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000;

b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently to these financial statements with which we concur;

c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31st December, 2014 and of the profit, changes in equity and its cash flows for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

DATE: 17TH MARCH, 2015
KARACHI

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS
Mazhar Saleem

BALANCE SHEET
AS AT 31ST DECEMBER 2014

	NOTE	2014 (RUPEES)	2013 (RUPEES)
SHARE CAPITAL			
Share capital and reserves			
Authorised share capital		**1,500,000,000**	500,000,000
Issued, subscribed and paid-up share capital	5	**452,312,959**	452,312,959
Accumulated profits / (losses)		**10,564,695**	(13,485,882)
Total equity		**462,877,654**	438,827,077
LIABILITIES			
Underwriting provisions			
Provision for outstanding claims (including IBNR)		**157,403,599**	126,091,093
Provision for unearned premium /contribution		**593,353,110**	441,908,398
Premium deficiency reserve		**5,313,723**	-
		756,070,432	567,999,491
Deferred liability			
Deferred tax liability	6	**15,144,795**	7,283,892
Creditors and accruals			
Premium received in advance		**2,232,123**	2,499,778
Amounts due to other insurers / reinsurers / retakaful operators	7	**16,779,118**	15,354,359
Accrued expenses		**2,019,932**	3,759,479
Taxation - provision less payments		**2,503,506**	9,689,449
Other creditors and accruals	8	**41,439,089**	30,131,061
		64,973,768	61,434,126
Total Liabilities		**836,188,995**	636,717,509
Total Equity and Liabilities		**1,299,066,649**	**1,075,544,586**
Contingencies and Commitments	9		

BALANCE SHEET
AS AT 31ST DECEMBER 2014

	NOTE	2014 (RUPEES)	2013 (RUPEES)
ASSETS			
Cash and bank deposits	10		
Cash and other equivalent		**292,862**	422,903
Current and other accounts		**89,544,773**	107,924,804
		89,837,635	108,347,707
Loans - (secured, considered good) to employees	11	**628,235**	352,582
Investments	12	**49,941,368**	153,238,416
Current assets - others			
Premiums / contributions due but unpaid - unsecured		**110,244,647**	88,217,781
Amounts due from other insurers /reinsurers - unsecured	13	**5,883,911**	22,133
Reinsurance recoveries against outstanding claims		**863,000**	863,000
Salvage recoveries accrued		**22,777,000**	4,277,000
Accrued investment income		**2,132,643**	2,132,643
Deferred commission expense		**87,241,588**	57,425,788
Advance, deposits and prepayments	14	**354,878,460**	356,553,842
Sundry receivables	15	**134,415,593**	15,975,002
		718,436,842	525,467,189
Loan to associated company	16	**126,679,551**	100,000,000
Fixed assets	17		
Tangible and intangible assets			
Leasehold Improvements		**26,236,805**	-
Furniture and fixtures		**13,639,062**	1,785,882
Office equipment		**16,229,375**	3,747,701
Motor vehicles		**4,011,721**	7,981,837
Equipments		**244,491,304**	152,954,342
Computer equipments		**4,092,271**	2,618,160
Capital work-in-progress		**4,842,480**	19,050,470
Intangible		**-**	300
		313,543,018	188,138,692
Total assets		**1,299,066,649**	1,075,544,586

The annexed notes from 1 to 31 and annexure 'A' form an integral part of these financial statements

Chief Executive	Director	Director	Chairman

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTE	Motor	Miscellaneous	2014	2013
		(RUPEES)			
Revenue account					
Net premium revenue		1,022,719,020	33,688,464	1,056,407,484	733,460,517
Premium Deficiency reserve		-	(5,313,723)	(5,313,723)	-
Net claims		(512,398,048)	(19,307,060)	(531,705,108)	(314,174,032)
Expenses	18	(264,477,435)	(8,901,630)	(273,379,065)	(227,445,390)
Net commission		(137,130,776)	(9,053,167)	(146,183,943)	(78,262,992)
Underwriting result		108,712,761	(8,887,116)	99,825,645	113,578,103
Investment income				13,772,625	6,994,979
Other income	19			79,095,684	67,347,157
General and administrative expenses	20			(155,055,331)	(108,785,356)
Financial charges	21			(566,783)	(772,359)
				(62,753,805)	(35,215,579)
Profit before tax				37,071,840	78,362,524
Provision for taxation - net	22			(13,021,263)	(26,839,778)
Profit after tax				24,050,577	51,522,746
Other comprehensive income				-	-
Total comprehensive income for the year				24,050,577	51,522,746
Profit and loss appropriation account					
Balance at the commencement of the year				(13,485,882)	(65,008,628)
Profit after tax for the year				24,050,577	51,522,746
Cash dividend for the year ended 31 December 2013 at Rs. Nil per share (2012: Rs. Nil per share)				-	-
Balance of accumulated losses at the end of the year				10,564,695	(13,485,882)
Earnings per share - basic and diluted	23			0.52	1.12

The annexed notes from 1 to 31 and annexure 'A' form an integral part of these financial statements

Chief Executive | Director | Director | Chairman

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 (RUPEES)	2013 (RUPEES)
Operating activities		
(a) Underwriting activities		
Premiums received	1,198,510,187	829,031,300
Reinsurance premiums paid	(17,389,529)	(16,464,519)
Claims paid	(676,077,818)	(410,316,207)
Reinsurance and other recoveries	157,185,216	151,622,985
Commission paid	(171,473,368)	(101,861,393)
Net cash inflow from underwriting activities	490,754,688	452,012,166
(b) Other operating activities		
Income tax paid	(12,346,303)	(8,480,688)
General management expenses paid	(279,058,070)	(294,373,912)
Other operating (payments) / receipts	(4,813,032)	6,497,665
Loans advanced	(883,062)	(451,500)
Loans repayments received	626,781	1,116,553
Net cash outflow from other operating activities	(296,473,686)	(295,691,882)
Total cash generated from all operating activities	194,281,002	156,320,284
Investment activities		
Profit / return received on Pakistan investment bond	6,064,578	6,125,547
Payments for purchase of investments	-	(3,036,632)
Proceeds from disposal of investments	3,251,969	-
Loan advanced to associated company	(67,850,000)	-
Loans repayment received from associated company	41,170,449	-
Dividend received	65,000	80,000
Fixed capital expenditure	(182,834,840)	(31,757,490)
Advance given against CWIP	(18,098,629)	(40,409,003)
Proceeds from disposal of fixed assets	6,007,182	4,028,230
Refund of cash deposited with State Bank of Pakistan	-	-
Total cash used in investing activities	(212,224,291)	(64,969,348)
Financing activities		
Financial charges paid	(566,783)	(772,359)
Total cash generated from / (used in) financing activities	(566,783)	(772,359)
Net cash (used in) / generated from all activities	(18,510,072)	90,578,577
Cash and cash equivalent at beginning of the year	108,347,707	17,769,130
Cash and cash equivalent at end of the year	89,837,635	108,347,707

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 (RUPEES)	2013 (RUPEES)
Reconciliation to profit and loss account		
Operating cash flows	**194,281,002**	156,320,284
Depreciation / amortisation expense	**(72,132,943)**	(50,299,963)
Gain on disposal of fixed assets	**2,611,282**	3,039,082
Profit on disposal of investments	**10,383,024**	-
Increase in assets other than cash	**85,477,604**	122,617,456
Increase in liabilities	**(198,796,828)**	(168,032,643)
	21,823,141	63,644,216
Other adjustments		
Income tax paid	**12,346,303**	8,480,688
Financial charges	**(566,783)**	(772,359)
Return on Government Securities	**6,129,156**	6,125,547
Dividends received	**65,000**	80,000
Share of profit / (loss) in Associate Company	**(2,724,977)**	804,432
Provision for taxation	**(13,021,263)**	(26,839,778)
	2,227,436	(12,121,470)
Profit after taxation	**24,050,577**	51,522,746

Definition of cash

Cash comprises of cash in hand, policy stamps, bank balances which are readily convertible to cash in hand and which are used in the cash management function on a day-to-day basis.

Cash for the purposes of the Statement of Cash Flows consists of :

	2014	2013
Cash and other equivalents		
Cash in hand	**292,862**	422,903
Current and other accounts	**89,544,773**	107,924,804
	89,837,635	108,347,707

The annexed notes from 1 to 31 and annexure 'A' form an integral part of these financial statements

Chief Executive | Director | Director | Chairman

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Shareholders' Fund				
	Issued, subscribed and paid-up share capital			Reserves	Total
	Ordinary shares	Transaction costs	Sub total	Accumulated profit	
	(RUPEES)				
Balance as at 1 January 2013	460,000,000	(7,687,041)	452,312,959	(65,008,628)	387,304,331
Total comprehensive income for the year ended 31 December 2013					
Net profit for the year	-	-	-	51,522,746	51,522,746
Balance as at 31 December 2013	460,000,000	(7,687,041)	452,312,959	(13,485,882)	438,827,077
Total comprehensive income for the year ended 31 December 2014					
Net profit for the year	-	-	-	24,050,577	24,050,577
Balance as at 31 December 2014	**460,000,000**	**(7,687,041)**	**452,312,959**	**10,564,695**	**462,877,654**

The annexed notes from 1 to 31 and annexure 'A' form an integral part of these financial statements

Chief Executive | Director | Director | Chairman

STATEMENT OF PREMIUM
FOR THE YEAR ENDED 31 DECEMBER 2014

Business underwritten inside Pakistan

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		2014	2013
	(RUPEES)									
Direct and Facultative										
Motor business	1,154,537,258	431,208,268	551,205,489	1,034,540,037	14,996,517	-	3,175,500	11,821,017	**1,022,719,020**	725,364,804
Miscellaneous	66,267,448	10,700,130	42,147,621	34,819,957	1,131,493	-	-	1,131,493	**33,688,464**	8,095,713
Total	1,220,804,706	441,908,398	593,353,110	1,069,359,994	16,128,010	-	3,175,500	12,952,510	**1,056,407,484**	733,460,517

The annexed notes from 1 to 31 and annexure 'A' form an integral part of these financial statements

Chief Executive | Director | Director | Chairman

STATEMENT OF CLAIMS
FOR THE YEAR ENDED 31 DECEMBER 2014

Business underwritten inside Pakistan

Class	Total claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing			Opening	Closing		2014	2013
	(RUPEES)									
Direct and Facultative										
Fire and property damage	-	1,194,000	1,194,000	-	-	119,400	119,400	-	**-**	-
Motor business	659,901,621	123,269,619	151,451,262	688,083,264	157,185,216	5,020,600	23,520,600	175,685,216	**512,398,048**	311,988,893
Miscellaneous	16,176,197	1,627,474	4,758,337	19,307,060	-	-	-	-	**19,307,060**	2,185,139
Total	676,077,818	126,091,093	157,403,599	707,390,324	157,185,216	5,140,000	23,640,000	175,685,216	**531,705,108**	314,174,032

The annexed notes from 1 to 31 and annexure 'A' form an integral part of these financial statements

Chief Executive | Director | Director | Chairman

STATEMENT OF EXPENSES

FOR THE YEAR ENDED 31 DECEMBER 2014

Business underwritten inside Pakistan

Class	Commissions paid or payable	Deferred commission Opening	Deferred commission Closing	Net commission expense	Other management expenses	Underwriting expense	Commissions from reinsurers	Net underwriting expense 2014	Net underwriting expense 2013
					(RUPEES)				
Direct and Facultative									
Motor business	159,988,014	53,955,956	76,813,194	137,130,776	264,477,435	401,608,211	-	**401,608,211**	298,993,963
Miscellaneous	16,011,729	3,469,832	10,428,394	9,053,167	8,901,630	17,954,797	-	**17,954,797**	6,714,419
Total	175,999,743	57,425,788	87,241,588	146,183,943	273,379,065	419,563,008	-	**419,563,008**	305,708,382

The annexed notes from 1 to 31 and annexure 'A' form an integral part of these financial statements

Chief Executive | Director | Director | Chairman

STATEMENT OF INVESTMENT INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTE	2014 (RUPEES)	2013 (RUPEES)
Income from non-trading investments			
Held-to-maturity			
Return on Government Securities		**6,064,578**	6,125,547
Available-for-sale			
Dividend income		**65,000**	80,000
		6,129,578	6,205,547
Gain on sale of non-trading available-for-sale investments		**251,969**	-
		6,381,547	6,205,547
Share of (loss) / income on investment in associated company		**(2,724,977)**	804,432
Gain on sale of shares of associated company	12.1	**10,131,055**	-
Brokerage expense		**(15,000)**	(15,000)
Net investment income		**13,772,625**	6,994,979

The annexed notes from 1 to 31 and annexure 'A' form an integral part of these financial statements

Chief Executive | Director | Director | Chairman

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1. STATUS AND NATURE OF BUSINESS

1.1 TPL Direct Insurance Limited (the Company) was incorporated in Pakistan in 1992 as a public limited company under the Companies Ordinance, 1984 to carry on general insurance business. The principal office of the Company is located at 12th Floor, Centrepoint, Off Shaheed-e-Millat Expressway, Near KPT Interchange Flyover, Karachi, Pakistan.

The Company got listed at the Karachi Stock Exchange Limited through issue of 15 million Ordinary Shares of Rs. 10 each on 22 September 2011.

1.2 During the year, the Company was granted permission by the Securities and Exchange Commission of Pakistan to transact Window Takaful Operations. Necessary changes were accordingly made in Memorandum and Articles of Association and Rs. 50 million were transferred to a separate bank account for window takaful operations only.

For the purpose of carrying on the takaful business, the Company has formed a Waqf, an irrevocable fund, for participants' equity. The Waqf, namely TPL Direct Insurance Limited (Window Takaful Operations) (herein after referred to as the Participants' Takaful Fund or PTF) was formed on 20 August 2014 under the Waqf deed executed by the Company with a cede money of Rs. 2,000,000.

The cede money is required to be invested in Shariah compliant investments and any profit thereon can be utilized only to pay benefits to participants or defray PTF expenses. The accounts of the Waqf are maintained by the Company in a manner that the assets and liabilities of the Waqf remain separately identifiable. Waqf Deed governs the relationship of shareholders and participants for management of takaful operations, investments of participants' funds and investment of shareholders' funds approved by the Shariah Board established by the Company.

Operating results of Window Takaful Operations of the Company are annexed to these financial statements .

2. BASIS OF PREPARATION

These financial statements have been prepared on the format of financial statements issued by the Securities and Exchange Commission of Pakistan (SECP) through Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002], vide SRO 938 dated 12 December 2002.

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial

Reporting Standards (IFRS) issued by International Accounting Standards Board as Notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance 1984,the Insurance Ordinance, 2000 SEC (Insurance) Rules, 2002 and Takaful Rules, 2012. In case requirements differ, the provisions or directives of the Companies Ordinance 1984, Insurance Ordinance, 2000, SEC (Insurance) Rules, 2002 and Takaful Rules, 2012 shall prevail. SECP has allowed the insurance companies to defer the application of International Accounting Standard – 39 (IAS-39) "Financial Instruments: Recognition and Measurement" in respect of valuation of "available-for-sale investments". Accordingly, the requirements of IAS-39, to the extent allowed by SECP as aforesaid, have not been considered in the preparation of these financial statements.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees which is also the Company's functional currency. All financial information presented in Pak Rupees has been rounded to nearest Rupees, unless otherwise stated.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting polices. The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to the financial statements, or judgments were exercised in application of accounting policies are as follows:

- Classification of Insurance Contracts (note 4.1)
- Provision for outstanding claims including IBNR (note 4.4)
- Premium / Contribution deficiency reserve (note 4.7)

- Classification of investments and impairment (note 4.13)
- Useful lives and residual value of assets and methods of depreciation (note 4.18)
- Provision for current and deferred tax (note 4.9)
- Provisions (note 4.2, 4.13 and 4.21)

3. STANDARDS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2015:

- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements' to be. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to

accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015)replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not like to have an impact on Company's financial statements.

- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not like to have an impact on Company's financial statements.

- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not like to have an impact on Company's financial statements.

- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.

- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination.

- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria.

- Amendments to IAS 16'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended toclarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of these financial statements are set out below. These policies have been applied consistently to all years presented.

4.1 Insurance contracts / Takaful contracts

4.1.1 *Insurance contracts*

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policy holders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its period, even if the insurance risk reduces significantly during this period, unless all rights and liabilities are extinguished or expired. The company neither issues investments contracts nor does it issue insurance contracts with discretionary participation features (DPF). These contracts are made with group companies, corporate clients and individuals residing or located in Pakistan.

4.1.2 *Takaful contracts*

The takaful contracts are based on the principles of Wakala. The takaful contracts so agreed usually inspire concept of tabarru (to donate for benefit of others) and mutual sharing of losses with the overall objective of eliminating the element of uncertainty.

A separate Participants Takaful Fund (PTF) is created in which all contribution received under general takaful contribution net off any government levies and administrative surcharge are credited. The role of Takaful operator is of the management of the PTF. At the initial stage of the setup of the PTF, the takaful operator makes an initial donation to the PTF. The terms of the takaful contracts are in accordance with the generally accepted principles and norms of insurance business suitably modified with guidance by the Shariah Advisor of the Takaful operator.

4.2 Premium / Contribution

4.2.1 *Premium*

Premium income under a policy is recognized, evenly over the period of insurance from the date of issuance of the policy till the date of its expiry.

Administrative surcharge is recognised as income at the time policies are written.

Revenue from premiums is determined after taking into account the unearned portion of premium by applying 1/24th method as prescribed by the SEC (Insurance) Rules, 2002. The unearned portion of premium income is recognised as liability.

Premium due but unpaid under insurance contracts are recognised when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognizes it as impairment loss.

4.2.2 *Contribution*

Contribution income net off administrative surcharge under a policy is recognised over the period of takaful from the date of inception of the policy to which it relates to its expiry as follows:

Administrative surcharge is recognised as income at the time policies are written in OF.

Contribution income net off administrative surcharge under a policy is recognised after taking into account the unearned portion of contribution by applying 1/24th method as prescribed by the SEC (Insurance) Rules, 2002. The unearned portion of contribution is recognised as liability.

Contribution due but unpaid under takaful contracts are recognised when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognizes it as impairment loss.

4.3 Reinsurance / Re-takaful contracts

4.3.1 *Reinsurance contracts*

Insurance contracts entered into by the Company with reinsurers for compensation of losses suffered on insurance contracts issued are reinsurance contracts. These reinsurance contracts include both facultative and treaty arrangement contracts and are classified in same categories of insurance contracts for the purpose of these financial statements. The Company recognises the entitled benefits under th contract as various reinsurance assets. Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the provision for outstanding claims or settled claims associated with the reinsurance policies and are in accordance with the related reinsurance contract.

Reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contract are not offset against expenses or income from related insurance assets.

The deferred portion of reinsurance premium ceded is recognised as a prepayment which is calculated by using 1/24th method as prescribed by the SEC (Insurance) Rules, 2002.

The Company assesses its reinsurance assets for impairment on balance sheet date. If there is an objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to it recoverable amount and recognises that impairment loss in the profit and loss account.

4.3.2 *Re-takaful contracts*

Re-takaful expense is recognised evenly in the period of indemnity. The portion of retakaful contribution not recognised as an expense is shown as a prepayment which is calculated in the same manner as of unearned contribution.

Rebate from retakaful operators is recognised at the time of issuance of the underlying takaful policy by the company. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the retakaful contribution to which it relates. Receivable against claims from the retakaful operators are recognised as an asset at the same time as the claims which gives rise to the right of recovery are recognised as a liability and are measured at the amount expected to be recovered after considering an impairment in relation thereto.

Amount due from other takaful / re-takaful are carried at cost less provision for impairment, if any. Cost represents the fair value of consideration to be received in the future.

Amount due to takaful / re-takaful companies represent the balance due to re-takaful companies.

Re-takaful assets or liabilities are derecognised when the contractual rights are extinguished or expired.

4.4 Claims expense

Insurance / Takaful claims include all claims incurred during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, and any adjustments to claims outstanding from previous years.

The Company recognises liability in respect of all claims incurred upto the balance sheet date which is measured at

the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance / takaful contract.

The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. Provision for IBNR is based on the management's best estimate which takes into account expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date. Initial estimate includes expected claim settlement cost.

4.5 Reinsurance recoveries against outstanding claims

Claims recoveries against outstanding claims from the reinsurer / retakaful operator and salvage are recognised as an asset at the same time as the claims which give rise to the right of recovery are recognised as a liability and are measured at the amount expected to be received.

4.6 Commission

Commission expense incurred in obtaining and recording policies is deferred and recognised in profit and loss account as an expense in accordance with the pattern of recognition of premium /contribution revenue.

Commission income from reinsurers / retakaful is recognised at the time of issuance of the underlying insurance / takaful policy. These are deferred and recognised as liability and recognised in the profit and loss account as revenue in accordance with the pattern of recognition of the reinsurance premiums / retakaful contributions.

4.7 Premium / Contribution deficiency reserve

The Company is required as per SEC (Insurance) Rules, 2002 and IFRS-4, to maintain a provision in respect of premium / contribution deficiency for the class of business where the unearned premium / contribution reserve is not adequate to meet the expected future liability, after reinsurance / retakaful, from claims and other expenses, including reinsurance / retakaful expense, commissions and other underwriting expenses, expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date. The movement in the premium / contribution deficiency reserve is recorded as an expense in the profit and loss account and the same shall be recognised as a liability.

For this purpose, loss ratios for each class are estimated based on historical claim development. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. If these ratios are adverse, premium / contribution deficiency is determined. Further actuarial valuation has been carried out to determine the amount of premium deficiency reserve in respect of Health insurance as required by SRO 16 (I) / 2012 issued by Securities and Exchange Commission of Pakistan on 9 January 2012.

4.8 Staff retirement benefits

The Company operates a funded contributory provident fund (defined contribution plan) for all permanent employees. Equal contributions are made by the Company and the employees at the rate 8.33% of basic salary, to the fund.

4.9 Taxation

4.9.1 *Current*

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalised during the current year for such years.

4.9.2 *Deferred*

Deferred tax is accounted for using the balance sheet liability method, in respect of temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow

deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is utilized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the profit and loss account except in the case of items credited or charged to equity in which case it is included in equity.

4.10 Takaful surplus

Takaful surplus attributable to the participants is calculated after charging all direct cost and setting aside various reserves. Allocation to participants, if applicable, is made after adjustment of claims paid to them during the year.

4.11 Wakala and Mudarib fees

The Takaful operator manages the general takaful operations for the participants' and charge 40% of gross contribution as Wakala Fee to meet the general and administrative expenses of the Company. Wakala fee under a policy is recognised, evenly over the period of takaful from the date of issuance of the policy till the date of its expiry.

The Takaful operator also manages the participants' investment as Mudarib and charges 30% of the general takaful investment income as Mudarib's share earned by the participants' fund. Administrative surcharge is included in Wakala Fee at the date of inception of policy to which it relates.

4.12 Qard-e-Hasna

Qard-e-hasna is provided by operators' fund to participants takaful fund in case of deficit in PTF. However, such amount is eliminated while consolidating the financial statements.

4.13 Investments

4.13.1 *Recognition*

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction costs except for held for trading investments in which case transaction costs are charged to the profit and loss account. All purchase and sale of investments that require delivery within the required time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investments.

These are recognised and classified as follows:

- Investment at fair value through profit and loss (held for trading)
- Available for sale
- Held to maturity
- Investment in Subsidiary Company
- Investment in Associates

4.13.2 *Measurement*

4.13.2.1 *Investment at fair value through profit or loss (held for trading)*

At the time of acquisition, quoted investments which are acquired principally for the purpose of generating profit from short term fluctuations in price or are part of portfolio for which there is a recent actual pattern of short term profit taking are classified as held for trading. Subsequent to initial recognition these are remeasured at fair value by reference to quoted market prices with the resulting gain or loss being included in net profit or loss for the period in which it arises.

4.13.2.2 *Available for sale*

Available for Sale investments are those non-derivative instruments / contracts that are designated as available for sale or are not classified in any other category.

At the time of acquisition, investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale.

4.13.2.3 *Quoted*

Subsequent to initial recognition at cost, quoted investments are stated at the lower of cost or market value (market value on an individual investment basis being taken as lower if the fall is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002 vide S.R.O. 938 dated December 2002. The Company uses stock exchange quotations at the balance sheet date to determine the market value.

In case of fixed income securities redeemable at a given date where the cost is different from the redemption value, such difference is amortised uniformly over the period between the acquisition date and the date of maturity in determining cost at which these investments are stated as per the requirements of the SEC (Insurance) Rules, 2002.

These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the profit and loss account.

4.13.2.4 *Held-to-maturity*

At the time of acquisition, investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held-to-maturity.

Subsequently, these are measured at amortised cost less provision for impairment in value, if any. Amortised cost is calculated by taking into account any discount or premium on acquisition by using the effective yield method.

The difference between the redemption value and the purchase price of the held-to-maturity investments is amortised and taken to the profit and loss account over the term of the investment.

These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the profit and loss account.

4.13.2.5 *Investment in Subsidiary Company*

Subsidiary is an entity in which the Company directly or indirectly controls, beneficially owns or holds more than fifty percent of its voting securities or otherwise has power to elect and appoint more than fifty percent of its directors. Investment in subsidiary is carried in the balance sheet at cost less provision for impairment loss, if any.

4.13.2.6 *Investment in Associates*

Associate is an entity over which the Company has significant influence but not control, generally represented by a shareholding of between 20% and 50% of the voting right.

Investments in associates are initially recognised at cost and the carrying amounts are increased or decreased to recognise the Company's share of the profit or loss of the associates after the date of acquisition, less impairment losses, if any.

Distributions received from associates reduce the carrying amount of the investment. Adjustments to the carrying amounts are also made for changes in the Company's proportionate interest in the associates arising from changes in the associates' equity that have not been recognised in the associates' profit or loss. The Company's share of those changes is recognised directly in equity of the Company.

Gain / (loss) on sale of above investments, if any, are recognised in the period of sale. The carrying amount of the investment is tested for impairment, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount and loss, if any is recognised in the profit and loss account.

4.14 Management expenses

Underwriting expenses have been allocated to various classes of business on a basis deemed equitable by the management. Expenses not attributable to the underwriting business are charged as administrative expenses.

4.15 Creditors, accruals and provisions

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for the goods and / or services received, whether or not billed to the Company.

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current estimate.

4.16 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand, stamps in hand and deposits with banks (except for the deposit placed with statutory requirement) net off short term running finance.

4.17 Sundry receivable

These are recognised at cost, which is the fair value of the consideration given. However, an assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognised for the difference between the recoverable amount and the carrying amount.

4.18 Fixed assets

4.18.1 *Tangible assets - owned*

These are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged to income over the useful life of the asset on a systematic basis applying the straight line method at the rates specified in note 17.1 to the financial statements. Depreciation is charged on additions from the month of acquisition and no depreciation is charged in the month of disposal. An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gain and loss on disposal of fixed assets is included in income currently.

The assets residual values, useful lives and methods are reviewed and adjusted, if appropriate at each financial year end.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and assets so replaced, if any, are retired. Gain or loss on disposal of fixed asset is included in income currently.

4.18.2 *Tangible assets - leased*

Assets subject to finance lease are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligation under the lease less financial charges allocated to future period are shown as a liability.

These financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

Leased assets are depreciated on a straight line basis at the same rate as Company's owned assets as disclosed in note 17.1 to the financial statements. Depreciation is charged on additions from the month of acquisition, and no depreciation is charged in the month of disposal.

4.18.3 *Intangible assets - owned*

These are stated at cost less accumulated amortisation and impairment, if any. Amortisation is charged to income over the useful life of the asset on a systematic basis applying the straight line method at the rates specified in note 17.4 to the financial statements. Amortisation is calculated from the month the assets are available for use. While on disposal, no amortisation is charged in the month in which the assets are disposed off. Software development costs are only capitalised to the extent that future economic benefits are expected to be derived by the Company.

4.18.4 *Capital work-in-progress*

Capital work-in-progress is stated at cost less any impairment in value.

4.19 Ijarah

The Company accounts for assets under Ijarah arrangements in accordance with IFAS - 2 "Ijarah" whereby periodic Ijarah payments for such assets are recognised as an expense in profit and loss account on straight line basis over the ijarah term.

4.20 Operating lease

Operating lease payments are recognised as an expense in the profit and loss account over the lease term.

4.21 Impairment

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

Provisions for impairment are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Changes in the provisions are recognised as income or expense.

4.22 Financial instruments

Financial assets and financial liabilities within the scope of IAS - 39 are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expire or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liabilities is recognised in the profit and loss account of the current year.

Financial instruments carried on the balance sheet include bank deposits, investments, premium / contribution due but unpaid, premium / contribution received in advance, amount due from other insurers / reinsurers, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, advances deposits and prepayments

provision for outstanding claims, amount due to other insurers / reinsurers, accrued expenses, other creditors and accruals, short term running finance and obligation under finance lease. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.23 Off setting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet, if the Company has a legally enforceable right to set-off and the Company intends either to settle the assets and liabilities on a net basis or to realise the asset and settle the liability simultaneously.

4.24 Foreign currency translations

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are recognized in the profit and loss account. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

4.25 Revenue recognization

4.25.1 *Dividend income and bonus shares*

Dividend income is recognized when the right to receive the dividend is established.

4.25.2 *Gain / loss on sale / redemption of investments*

Gain / loss on sale / redemption of investments is taken to profit and loss account in the year of sale / redemption.

4.25.3 *Income on held to maturity investment*

Income from held to maturity investments is recognised on a time proportionate basis taking account the effective yield on the investment.

4.25.4 *Profit on bank accounts and deposits*

Profit on bank accounts and deposits is recognised on accrual basis.

4.26 Dividend declaration and reserve appropriation

Dividend declaration and reserve appropriations are recognized when approved.

5. SHARE CAPITAL

5.1 Authorised share capital

2014 (Number of shares)	2013 (Number of shares)		2014 (RUPEES)	2013 (RUPEES)
150,000,000	50,000,000	Ordinary shares of Rs.10 each	**1,500,000,000**	500,000,000

During the year, authorised share capital was enhanced from Rs.500 million to Rs. 1,500 million which was approved by the shareholders of the Company in Extra Ordinary General Meeting held on 1 September 2014.

5.2 Paid- hare capital

Issued, subscribed and paid-up share capital:

2014 (Number of shares)	2013 (Number of shares)		2014 (RUPEES)	2013 (RUPEES)
46,000,000	46,000,000	Fully paid Ordinary Share of Rs.10 each	**460,000,000**	460,000,000

5.3

46,000,000	46,000,000	Ordinary shares of Rs. 10 each	**460,000,000**	460,000,000
-	-	Transaction costs on issuance of shares	**(7,687,041)**	(7,687,041)
46,000,000	46,000,000		**452,312,959**	452,312,959

5.4 As at 31 December 2014 shares held by related parties are as follows:

	NOTE	2014 Number of shares	2014 % holding	2013 Number of shares	2013 % holding
TPL Trakker Limited (Associated Company)	5.4.1	**15,819,000**	**34.39**	30,999,000	67.39
Director (Mr. Muhammad Ali Jameel)		**500**	**0.0011**	500	0.0011
Director (Mr. Jameel Yusuf)		**500**	**0.0011**	500	0.0011
Director (Mr. Saad Nissar)		**220,000**	**0.4783**	220,000	0.48
TPL Holdings (Pvt) Ltd		**3,147,114**	**6.8416**	-	-
TPL Trakker Limited (Staff Provident Fund)		**-**	**-**	3,147,114	6.84
TRG Limited (Employees Provident Fund)		**-**	**-**	88,482	0.19
		19,187,114	**41.71**	34,455,596	74.90

5.4.1 During the year, TPL Trakker Limited entered into a share purchase agreement (SPA) with Greenoaks Global Holding Limited ("GGHL") dated 11th October 2014 in respect of disposal of 33 percent shareholding (equivalent to 15,180,000 shares) in the Company subject to fulfilment of certain conditions of the SPA.

As of balance sheet date, on fulfilment of pre-conditions to sale under the SPA, the associated company has disposed off its 15,180,000 ordinary shares in the Company to GGHL. However, the same are subject to completing of legal formalities which have been carried out subsequent to the balance sheet date.

5.4.2 Subsequent to year end, the shareholders of the Company in its Extra Ordinary General Meeting held on 27 February 2015 approved issuance of shares without rights to GGHL under section 86(1) of the Companies Ordinance, 1984 subject to regulatory approvals. The said issuance represents 29,515,899 ordinary shares of the Company at Rs. 15 per share amounting Rs. 442.74 million.

6. DEFERRED TAX LIABILITY

	NOTE	2014 (RUPEES)	2013 (RUPEES)
Deferred tax comprises of the following:			
Deductible temporary differences			
- Provision for bad debts		**964,038**	964,038
Taxable temporary differences		**(16,108,833)**	(8,247,930)
- Accelerated depreciation	5.4.1	**(15,144,795)**	(7,283,892)

6.1 Reconciliation of deferred tax

	NOTE	2014 (RUPEES)	2013 (RUPEES)
Opening provision		**(7,283,892)**	(3,395,516)
Charge for the year	23	**(7,860,903)**	(3,888,376)
Closing balance		**(15,144,795)**	(7,283,892)

7. AMOUNT DUE TO OTHER INSURERS / REINSURERS / TAKAFUL OPERATORS

	2014 (RUPEES)	2013 (RUPEES)
Foreign reinsurers	**1,937,584**	2,378,141
Foreign retakaful operator	**4,234,000**	-
Local reinsurers	**6,686,793**	4,235,490
Co-insurers	**3,920,741**	8,740,728
	16,779,118	15,354,359

8. OTHER CREDITORS AND ACCRUALS

		2014 (RUPEES)	2013 (RUPEES)
Creditors	8.1 & 8.2	**14,272,037**	6,650,789
Federal Insurance Fee		**1,118,504**	715,748
Federal Excise Duty (FED) - net		**-**	1,137,599
Commission payable		**16,874,734**	12,348,359
Security deposit from customers against equipments		**1,319,772**	1,715,772
Workers' Welfare Fund		**2,526,220**	3,155,860
Others		**5,327,822**	4,406,934
		41,439,089	30,131,061

8.1 This includes outstanding claims in respect of which cheques have been issued by the Company for claim settlement but the same have not been encashed by the claimant. The following is the ageing as required by SECP circular 11 of 2014 dated 19 May 2014:

- More than 6 months	**4,534,795**
- 1 to 6 months	**16,438,738**

Age-wise breakup

	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 Months	Total
Claims not encashed	**16,438,738**	**778,805**	**926,136**	**2,180,694**	**649,160**	**20,973,533**

8.2 This includes Rs. 1.655 million payable to Centrepoint Management Services (Private) Limited (associated company).

9. CONTINGENCIES

9.1 Minimum Tax

Section 113(2)(c) of the Income Tax Ordinance 2001, was interpreted by a Divisional Bench of the Sindh High Court (SHC) in the Income Tax Reference Application (ITRA) No. 132 of 2011, dated 7 May 2013, whereby it was held that the benefit of carry forward of Minimum Tax is only available in the situation where the actual tax payable (on the basis of net income) in a tax year is less than Minimum Tax. Therefore, where there is no tax payable, interalia, due to brought forward tax losses, minimum tax could not be carried forward for adjustment with future tax liability.

The Company has adjusted minimum tax amounting to Rs. 10.73 million against its income tax liability. The Company, based on its tax advisor's opinion, is of the view that the Company has strong arguable case and at an appropriate stage the matter can be agitated before Supreme Court of Pakistan in case the said adjustment is challenged by the tax authorities. Consequently, the Company is confident that the ultimate outcome in this regard would be favourable. Hence no provision in this respect has been made in these financial statements.

9.2 Input tax

Assistant Commissioner - Sindh Revenue Board (SRB) has issued an order against the company on 7 October 2013, disallowing input tax claimed by the company during period from July 2011 to December 2011, amounting to Rs. 4,876,064 on the grounds that supplier / service provider has not declared the same in their sales tax returns.

The Company filed an appeal to the Commissioner (Appeals) – SRB and submitted its reply during the hearing on 5 December 2013. The Commissioner (Appeals) allowed input tax claimed duly reconciled of sales tax value of Rs. 3,421,003 and disallowed Rs. 1,417,789. The Company has deposited Rs. 1,417,789 and has filed an appeal before Appellate Tibunal – SRB against the order 50/2014 dated 26 May 2014 and original order No. 228 dated 7 October 2013.

The management in consultation with its tax advisor's considers that the ultimate outcome in this regard would be favourable. Hence no provision in this respect has been made in these financial statements.

10. CASH AND BANK DEPOSITS

	Note	2014 (RUPEES)	2013 (RUPEES)
Cash and other equivalents			
Cash in hand		**292,862**	422,903
Current and other accounts			
Current Accounts		**22,255,210**	92,646,136
Profit and loss sharing (PLS) accounts	10.1	**67,289,563**	15,278,668
		89,544,773	107,924,804
		89,837,635	108,347,707

10.1 These accounts carry mark-up at a rate between 6% to 8% (2013: 6% to 9%) per annum.

11. LOANS - (secured, considered good) to employees

11.1 These loans carry mark-up rate ranging from 0% to 5% (2013: 0% to 5%) per annum, and are maturing at various dates until December 2016.

12. INVESTMENTS

	Note	2014 (RUPEES)	2013 (RUPEES)
Associated Company			
- TPL Properties (Private) Limited	12.1	-	100,361,626
Others			
- Available-for-sale	12.2	**1,470,379**	4,470,379
- Held-to-maturity	12.3	**48,470,989**	48,406,411
		49,941,368	153,238,416

12.1 During the year, the company sold 10 million shares of TPL Properties (Private) Limited to TPL Trakker Limited (associated company) at Rs. 107.77 million. The amount was received subsequent to the year end.

12.1.1

	Note	2014 (RUPEES)	2013 (RUPEES)
Investment at the beginning of the year		**100,361,626**	99,557,194
Share of (loss) / profit		**(2,724,977)**	804,432
Sale of shares	12.1	**(97,636,649)**	-
Investment at the end of the year		**-**	100,361,626

12.2 Available-for-sale

12.2.1 *Ordinary Shares of quoted companies*

2014 (Number of shares)	2013 (Number of shares)	Name of Investee Company	2014	2013
129,000	129,000	Business Industrial Insurance Company Limited	**251,260**	251,260
7,731	7,731	Bank of Punjab Limited	**357,727**	357,727
10,000	10,000	The Hub Power Company Limited	**357,000**	357,000
15,195	15,195	Bank of Khyber	**162,975**	162,975
16,000	16,000	Summit Bank Limited	**514,675**	514,675
100,000	100,000	Next Capital Limited	**1,000,000**	1,000,000
			2,643,637	2,643,637

12.2.2 *Mutual fund units*

2014 (Number of units)	2013 (Number of units)	Name of Investee Fund	Note	2014	2013
9,245	7,738	First Habib Stock Fund		**500,000**	500,000
-	30,293	Faysal Financial Sector Opportunity Fund		**-**	3,000,000
				500,000	3,500,000
		Provision for impairment in value of available-for-sale investments	12.2.2.3	**(1,673,258)**	(1,673,258)
				1,470,379	4,470,379

12.2.2.1 Had the Company adopted International Accounting Standard (IAS) 39 "Financial Instruments:Recognition and Measurement" in respect of recognition of gain / (loss) on remeasurement of available-for-sale securities directly into equity, the investments of the company would have been higher by Rs. 1.227 million (2013: higher by 0.868 million) and the net equity would have increased by the same amount.

12.2.2.2 The aggregate market value of the available for sale investment is Rs. 2.697 million (2013: Rs. 5.338 million).

12.2.2.3 *Provision for impairment*

	2014 (RUPEES)	2013 (RUPEES)
Opening provision	**1,673,258**	1,673,258
Charge for the year	**-**	-
Closing provision	**1,673,258**	1,673,258

12.3 Held-to-maturity - Pakistan Investment Bonds (PIBs)

This represents ten years Pakistan Investment Bonds having face value of Rs. 50 million (market value of Rs. 54.08 million) [31 December 2013: Rs. 50 million (market value of Rs. 48.65 million)]. These carry mark-up at 12% (31 December 2013: 12%) per annum and will mature between 3 September 2019 to 18 August 2021. These have been deposited with the State Bank of Pakistan (SBP) as statutory deposit in accordance with the requirements of Section 29 of the Insurance Ordinance 2000 and circular No. 15 of 2008 dated 7 July 2008 issued by the Securities and Exchange Commission of Pakistan.

13. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS - unsecured

Considered good			
- Local reinsurers		**2,208**	2,208
- Co-insurers		**5,881,703**	19,925
Considered doubtful - Amount due from other insurers / reinsurers		**2,754,393**	2,754,393
		8,638,304	2,776,526
Provision against amount due from other insurers / reinsurers - net	13.1	**(2,754,393)**	(2,754,393)
		5,883,911	22,133

13.1 Provision against premium due from insurers/ reinsurers - net

Balance as on January 1,	**2,754,393**	2,754,393
Charge for the year	**-**	-
Balance as on December 31,	**2,754,393**	2,754,393

14. ADVANCE, DEPOSITS AND PREPAYMENTS

		2014 (RUPEES)	2013 (RUPEES)
Advance to TPL Trakker Limited	14.1	**287,679,109**	293,980,004
Deposits			
- for medical and travel assistance	14.2	**1,942,392**	1,942,392
- for hospital enlistment		**4,940,000**	3,825,000
Prepaid			
- annual monitoring and other charges	14.3	**50,840,063**	35,607,737
- rent	14.4	**4,066,090**	20,500,000
- retakaful contributions		**3,175,500**	-
Others		**2,235,306**	698,709
		354,878,460	356,553,842

14.1 This represents advance against purchase of Tracking units and annual monitoring fees. A Special Resolution of the shareholders authorizing the Company to extend advances upto Rs. 400 million was passed in Annual General Meeting of the Company held on 21 April 2014. The above balance carries interest at the rate of 14% per annum (2013: 14% per annum) and is secured against personal guarantees of two Directors of TPL Trakker Limited (associated company).

14.2 This represents a refundable deposit of US$ 20,000 paid by the Company to International SOS (Pte) Limited against the foreign travel and medical assistance services for policy holders of the Company under a term of a service agreement signed between the Company and International SOS (Pte) Limited.

14.3 This represents the prepaid annual monitoring charges paid to TPL Trakker Limited (associated company) against the tracking services provided to the insurance policy holders of the Company.

14.4 This includes Rs. 3.886 million paid by the Company in respect of rent charges to TPL Properties (Private) Limited for the principal office space located at Center Point, Korangi, Karachi.

15. SUNDRY RECEIVABLES

		2014 (RUPEES)	2013 (RUPEES)
Margin deposit placed against purchase of shares - unsecured	15.1	**8,500,000**	9,500,000
Receivable from TPL Trakker Limited (associated company)		**-**	4,400,998
Receivable from TPL Trakker Limited (associated company) in respect of sale of shares	12.1	**107,767,704**	-
Federal Excise Duty - net		**4,078,189**	-
Accrued mark-up on loan to TPL Properties (Private) Limited		**10,281,269**	265,798
Others		**3,788,431**	1,808,206
		134,415,593	15,975,002

15.1 This represents a margin deposit with a brokerage house for trading of shares. The above balance is interest free and is repayable on demand. The same is also free of charge, encumbrance and lien. The management considers that this amount will either be adjusted against future trading of shares or will be recovered.

16. LOAN TO ASSOCIATED COMPANY

This represents loan amounting to Rs. 126.68 million to TPL Properties (Private) Limited (TPPL), an associated undertaking. A Special Resolution of the shareholders authorizing the Company to extend loan up to Rs. 250 million was passed in the Extra Ordinary General Meeting of the Company held on 30 September 2013. The loan carries interest at the rate of 16% per annum (2013: 16%) and is unsecured. The loan has been repaid by TPL Trakker Limited (associated company) on behalf of TPPL subsequent to the year end.

17. FIXED ASSETS

Tangible assets	17.1	**308,700,538**	169,087,922
Capital work-in-progress	17.3	**4,842,480**	19,050,470
Intangible assets	17.4	**-**	300
		313,543,018	188,138,692

17.1 Tangible assets

		Cost					Accumulated depreciation					
		As at 1 January 2014	Additions / transfers *	Disposals / written off	As at 31 December 2014	Depreciation rate %	As at 1 January 2014	For the year	Transfers	Disposals / written off	As at 31 December 2014	Written down value as at 31 December 2014
		(RUPEES)					(RUPEES)					
Owned												
Leasehold Improvements		-	26,457,282	-	26,457,282	10	-	220,477	-	-	220,477	26,236,805
Furniture and fixtures		3,011,292	12,833,804	(1,718,207)	14,126,889	10	1,225,410	388,833	-	(1,126,416)	487,827	13,639,062
Office equipments		7,429,087	14,297,614	(53,000) (480,786)	21,192,915	20	3,681,386	1,576,444	-	(2,617) (291,673)	4,963,540	16,229,375
Motor vehicles		14,512,254	641,592	(4,493,668)	10,660,178	20	6,530,417	2,107,859	-	(1,989,819)	6,648,457	4,011,721
Equipments	17.1.1	403,181,768	157,180,233	(2,894,900)	557,467,101	20	250,227,426	65,643,271	-	(2,894,900)	312,975,797	244,491,304
Computer equipments		9,089,651	3,730,934	(62,500)	12,758,085	33.33	6,471,491	2,196,059	-	(1,736)	8,665,814	4,092,271
2014		**437,224,052**	**215,141,459**	**(9,222,275) (480,786)**	**642,662,450**		**268,136,130**	**72,132,943**	**-**	**(6,015,488) (291,673)**	**333,961,912**	**308,700,538**

*This represents transfer from CWIP.

		Cost					Accumulated depreciation					
		As at 1 January 2013	Additions / transfers *	Disposals / written off	As at 31 December 2013	Depreciation rate %	As at 1 January 2013	For the year	Transfers	Disposals / written off	As at 31 December 2013	Written down value as at 31 December 2013
		(RUPEES)					(RUPEES)					
Owned												
Leasehold Improvements		-	-	-	-	10	-	-	-	-	-	-
Furniture and fixtures		2,927,492	83,800	-	3,011,292	10	929,151	296,259	-	-	1,225,410	1,785,882
Office equipments		10,206,323	628,400	(3,405,636)	7,429,087	20	5,003,562	1,264,472	-	(2,586,648)	3,681,386	3,747,701
Motor vehicles		21,912,416	2,733,161	(10,133,323)	14,512,254	20	13,223,665	2,484,752	-	(9,178,000)	6,530,417	7,981,837
Equipments	17.1.1	309,336,266	26,327,439 69,248,463	(1,730,400)	403,181,768	20	207,016,302	44,941,524	-	(1,730,400)	250,227,426	152,954,342
Computer equipments		7,104,961	1,984,690	-	9,089,651	33.33	5,279,254	1,192,237	-	-	6,471,491	2,618,160
2013		351,487,458	101,005,953	(15,269,359)	437,224,052		231,451,934	50,179,244	-	(13,495,048)	268,136,130	169,087,922

*This represents transfer from CWIP.

17.1.1 These equipments are installed by the Company in the vehicles which are currently in the possession of the insured. These devices are also encumbered against short term running finance facility obtained from a bank amounting to Rs. 34 million.

17.1.2 *Depreciation has been allocated as follows:*

		2014 (RUPEES)	2013 (RUPEES)
Management expenses	18	**71,523,918**	49,570,219
General and administrative expenses	20	**609,025**	609,025
		72,132,943	50,179,244

17.2 Disposal of tangible assets

	Cost	Accumulated depreciation	Book value	Sale proceeds	Net gain (note 19)	Mode of disposal	Sold to
	(RUPEES)						
Motor vehicles							
Toyota Corolla	1,679,000	727,567	951,433	1,477,000	525,567	Negotiation	Muhammad Farooq
Toyota Corolla	1,200,000	320,000	880,000	1,175,000	295,000	Negotiation	Muhammad Imran
Honda City	1,480,000	912,679	567,321	325,000	(242,321)	Term of employment	Khurram Mughal (Employee)
Unique Motorcycle	44,042	22,021	22,021	32,000	9,979	Theft	Insurance claim
Unique Motorcycle	45,313	4,531	40,782	40,000	(782)	Theft	Insurance claim
Unique Motorcycle	45,313	3,021	42,292	40,000	(2,292)	Theft	Insurance claim
Office equipment							
Samsung Mobile phone	26,000	2,167	23,833	18,000	(5,833)	Theft	Insurance claim
Various Huawei Mobile phone	27,000	450	26,550	18,000	(8,550)	Theft	Insurance claim
Furniture and fixtures							
Various Office Furnitures	1,718,207	1,126,416	591,791	300,000	(291,791)	Negotiation	Various customers
Computer equipment							
Laptop	62,500	1,736	60,764	50,741	(10,023)	Theft	Insurance claim
Tracking devices							
Tracking Units	2,894,900	2,894,900	-	2,531,441	2,531,441	Negotiation	Various customers
	9,222,275	6,015,488	3,206,787	6,007,182	2,800,395		

17.3 Capital Work-in-Progress

		2014 (RUPEES)	2013 (RUPEES)
Opening		**19,050,470**	47,889,930
Additions to capital work in progress		**18,098,629**	40,409,004
Transfer from capital work in progress during the year		**-**	(69,248,464)
Capital work in progress transferred to TPL Trakker Limited (associated company)	17.3.1	**(32,306,619)**	-
Closing	17.3.2	**4,842,480**	19,050,470

17.3.1 During the year, capital work in progress pertaining to civil works and CISCO system of the shared office with TPL Trakker Limited at Centrepoint has been transferred to TPL Trakker Limited (associated company). TPL Trakker Limited (associated company) will charge the related depreciation expense to the Company on monthly basis.

17.3.2

	2014	2013
Advance against civil works	**-**	9,099,575
Advance for CISCO system	**-**	6,908,415
Health Software	**242,000**	242,000
Inbox Software	**4,600,480**	2,800,480
	4,842,480	19,050,470

17.4 Intangible assets

	Cost				Accumulated amortisation			
	As at 1 January 2014	Additions / (disposals)	As at 31 December 2014	Amortization rate %	As at 1 January 2014	For the year	As at 31 December 2014	As at 31 December 2014
	(RUPEES)				(RUPEES)			
Owned								
GIS development cost	**4,868,558**	**-**	**4,868,558**	**20**	**4,868,358**	**200**	**4,868,558**	**-**
P.O.S. software	**1,449,831**	**-**	**1,449,831**	**20**	**1,449,731**	**100**	**1,449,831**	**-**
2014	**6,318,389**	**-**	**6,318,389**		**6,318,089**	**300**	**6,318,389**	**-**

	Cost				Accumulated amortisation			
	As at 1 January 2013	Additions / (disposals)	As at 31 December 2013	Amortization rate %	As at 1 January 2013	For the year	As at 31 December 2013	As at 31 December 2013
	(RUPEES)				(RUPEES)			
Owned								
GIS development cost	4,868,558	-	4,868,558	20	4,868,358	-	4,868,358	200
P.O.S. software	1,449,831	-	1,449,831	20	1,329,012	120,719	1,449,731	100
2013	6,318,389	-	6,318,389		6,197,370	120,719	6,318,089	300

18. MANAGEMENT EXPENSES

		2014 (RUPEES)	2013 (RUPEES)
Salaries, wages and benefits	18.1	**80,737,467**	67,847,763
Annual monitoring and other charges	18.2	**58,514,164**	75,366,205
Outsourcing expenses		**6,650,000**	5,159,000
Communication		**7,487,657**	7,505,422
Fuel		**7,948,013**	6,540,876
Rent, rates and taxes		**23,154,677**	6,672,219
Utilities		**3,920,078**	2,698,742
Depreciation	17.1.2	**71,523,918**	49,570,219
Amortisation	18.3	**2,230,434**	120,719
Printing and stationery		**5,133,233**	3,091,053
Legal and professional charges		**4,572,541**	1,942,341
Insurance		**1,506,883**	930,831
		273,379,065	227,445,390

18.1 This includes Rs. 3.1 million (2013: Rs. 2.585 million) being contribution to employees' provident fund.

18.2 Other charges includes tracker removing charges amounting to Rs. 13.096 million (2013: Rs. 9.497 million).

18.3 This includes Rs. 2.22 million charged by TPL Trakker Limited (associated company) in respect of shared software at Centrepoint.

19. OTHER INCOME

		2014	2013
Profit on profit and loss saving accounts		**2,265,292**	723,883
Interest charged			
- to TPL Trakker Limited	14.1	**48,621,697**	43,082,119
- to TPL Properties (Private) Limited	16	**21,306,342**	16,265,798
Income from other services	19.1	**3,276,400**	3,210,575
Net gain on disposal of tangible assets	17.2	**2,800,395**	3,039,082
Assets written off		**(189,113)**	-
Others		**1,014,671**	1,025,700
		79,095,684	67,347,157

19.1 This represents income earned against road side assistance and repair and maintenance facilities.

20. GENERAL AND ADMINISTRATIVE EXPENSES

		2014 (RUPEES)	2013 (RUPEES)
Salaries, wages and benefits	20.1	**8,252,064**	6,813,268
Travelling and conveyance		**47,731,607**	53,754,856
Advertisement and sales promotion		**60,096,143**	26,042,327
Registration, subscription and association		**6,206,094**	6,419,091
Communication		**109,420**	134,144
Depreciation	17.1.2	**609,025**	609,025
Repairs and maintenance		**8,589,307**	2,406,220
Fuel		**813,000**	621,000
Workers' Welfare Fund		**756,568**	1,604,882
Information technology related cost		**9,590,179**	2,789,039
Donations	20.2	**5,991,817**	4,923,695
Auditors' remuneration	20.3	**840,000**	775,000
Others		**5,470,107**	1,892,809
		155,055,331	108,785,356

20.1 This includes Rs. 0.424 million (2013: Rs. 0.342 million) being contribution to employees' provident fund.

20.2 Donations do not include any donee in which any Director or his spouse have any interest.

20.3 Auditors' remuneration

	2014	2013
Audit fee	**400,000**	350,000
Review and other certifications	**340,000**	340,000
Out-of-pocket expenses	**100,000**	85,000
	840,000	775,000

21. FINANCIAL CHARGES

	2014	2013
Short term running finance	**115,695**	352,194
Others	**451,088**	420,165
	566,783	772,359

22. TAXATION

	2014	2013
Current	**5,160,360**	22,015,801
Prior	**-**	935,601
Deferred	**7,860,903**	3,888,376
	13,021,263	26,839,778

22.1 The relationship between tax expense and the accounting profit is as follows:

	2014 (RUPEES)	2013 (RUPEES)
Profit before taxation	**37,071,840**	78,362,524
Tax at enacted rate of 33% (2013: 34%)	**12,233,707**	26,643,258
Effect of change in tax rate	**449,194**	-
Effect of items taxed at different rate	**(77,048)**	89,896
Effect of permanent differences	**290,132**	1,674,056
Tax effect of share of profit from associates	**905,182**	(273,507)
Effect of carried forward losses	**-**	(418,106)
Others	**(779,904)**	(875,819)
	13,021,263	26,839,778

23. EARNINGS PER SHARE – BASIC AND DILUTED

	2014 (RUPEES)	2013 (RUPEES)
Profit after tax for the year	**24,050,577**	51,522,746
	(Number of shares)	
Weighted average number of ordinary shares of Rs.10 each	**46,000,000**	46,000,000
	(RUPEES)	
Earnings per share - basic and diluted	**0.52**	1.12

24. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amount charged to in the financial statements, including all benefits, to the Chief Executive, Directors and Executives / Key Management Personnel of the Company are as follows:

	Chief executive Officer		Directors		Executives		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	(RUPEES)							
Managerial remuneration	**6,906,900**	6,006,000	**3,946,800**	3,432,000	**9,586,741**	7,811,483	**20,440,441**	17,249,483
Bonus	**1,000,000**	700,000	**726,000**	400,000	**1,138,500**	765,500	**2,864,500**	1,865,500
House rent allowance	**3,028,410**	2,622,000	**1,730,520**	1,493,400	**4,096,068**	3,341,213	**8,854,998**	7,456,613
Utilities	**690,690**	600,600	**394,680**	343,200	**958,675**	781,148	**2,044,045**	1,724,948
Retirement benefits	**575,340**	500,304	**328,764**	285,888	**755,416**	650,707	**1,659,520**	1,436,899
Others	**-**	-	**-**	-	**107,350**	91,200	**107,350**	91,200
24.1	**12,201,340**	10,428,904	**7,126,764**	5,954,488	**16,642,750**	13,441,251	**35,970,854**	29,824,643
Number of persons	**1**	1	**1**	1	**11**	9	**13**	11

24.1 In addition, the Chief Executive Officer, Executive Directors and other Executives are provided with free use of Company maintained cars in accordance with their entitlement.

25. TRANSACTIONS WITH RELATED PARTIES

25.1 The related parties and associated undertakings comprise TPL Trakker Limited. TRG Pakistan Limited, Trakker Middle East, Trakker Energy (Private) Limited, Habib Asset Management Limited, Trakker Energy (Private) Limited, TPL Security Services (Private) Limited, Agriauto Industries Limited, TPL Direct Finance (Private) Limited, Virtual World (Private) Limited, TPL Properties (Private) Limited, TPL Holdings (Pvt) Limited, Meskay & Famtee Trading (Pvt) Limited, Princely Jets Private Limited, Centerpoint Management Services (Pvt) Limited, Razzaque Razno Trading (Private) Limited, JS Bank Limited, Fauji Akber Portia Marine Terminals (Private) Limited, Speed (Private) Limited, Employee Provident Fund, directors and their related concerns and key management personnel. The balances with / due from and transactions with related parties and associated undertakings, other than remuneration and benefits to the key management personnel under the terms of their employment and those which have been specifically disclosed elsewhere in these financial statements are as follows:

25.2 Movement of transactions with related parties

	2014 (RUPEES)	2013 (RUPEES)
TPL Trakker Limited - (associated company)		
Opening balance - including sundry receivables	**298,381,002**	241,828,292
Reimbursement of expenses incurred on behalf of the Company	**(27,065,394)**	(37,797,924)
Expenses incurred by the Company on behalf of the TPL Trakker Limited	**51,031,617**	3,884,783
Receivable from associated Company in respect of sale of Tracking units installed in vehicles which were snatched	**2,480,300**	1,395,000
Receivable from associated Company in respect of sale of shares	**107,767,704**	-
Equipment purchased during the year	**(183,924,928)**	(34,646,324)
Furniture capitalized during the year	**(50,000,000)**	-
Payments of Fixed Assets on behalf of TPL Trakker Limited	**41,014,852**	-
Advance paid for purchase of equipment	**-**	(23,200,000)
Cost of services provided to the Company	**(75,742,796)**	(72,596,871)
Advance given during the period	**199,979,200**	265,379,000
Payments received during the period	**(4,000,000)**	(79,450,000)
Interest charged to TPL Trakker Limited	**48,621,697**	43,082,119
Equipment removal / transfer charges	**(13,096,441)**	(9,497,073)
Closing balance - including sundry receivables	**395,446,813**	298,381,002

	Note	2014 (RUPEES)	2013 (RUPEES)
TPL Properties (Private) Limited- common directorship			
Opening balance		**120,765,798**	101,000,000
Rent and maintenance expenses during the period	18	**(16,613,910)**	16,265,798
Loan repayment during the period		**(41,170,449)**	-
Loan given during the period		**67,850,000**	-
Mark-up charged during the period		**21,306,342**	-
Mark-up received during the period	19	**(11,290,871)**	(17,000,000)
Prepaid rent paid during the period		**-**	20,500,000
Closing balance - including mark-up on loan to Associate Company		**140,846,910**	120,765,798
Virtual World (Private) Limited - common directorship			
Opening accrued outsourcing expenses		**924,000**	693,000
Services received during the year		**6,650,000**	5,159,000
Payments made during the year		**(6,986,000)**	(4,928,000)
Closing accrued outsourcing expenses		**588,000**	924,000
Centrepoint Management Services (Private) Limited - common directorship			
Opening balance		**-**	-
Services received during the period		**4,488,099**	-
Payments made during the period		**(2,833,074)**	-
Closing balance		**1,655,025**	-
TPL Security Services (Private) Limited - common directorship			
Opening		**-**	-
Services received during the year		**220,500**	-
Payments made during the year		**(220,500)**	-
Closing balance		**-**	
TPL Direct Insurance Limited Employees Provident Fund			
Opening balance		**471,534**	389,798
Charge for the year		**7,049,932**	5,936,850
Contribution made during the year		**(6,779,812)**	(5,855,114)
Closing balance		**741,654**	471,534

25.2.1 Remuneration to the key management personnel are in accordance with the terms of their employment. Contribution to the provident fund is in accordance with the Company's staff services rules and other transactions with the related parties are in accordance with the agreed terms.

26. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

The Company issue contracts that transfer insurance / takaful risk or financial risk or both. This section summarises the insurance / takaful risks and the way the Company manages them.

26.1 Insurance / Takaful risk management

Insurance / Takaful risk

The risk under any insurance / takaful contract is the possibility that the insured event occurs and the uncertainty of the amount of compensation to the insured / participant. Generally most insurance / takaful contracts carry the insurance risk for a period of one year.

The Company's major insurance / takaful contracts are in respect of motor vehicles through issuance of general insurance / takaful contracts relating to motor insurance. For these contracts the most significant risks arise from theft, accidents and terrorist activities.

The Company's risk exposure is mitigated by employing a comprehensive framework to identify, assess, manage and monitor risk. This framework includes implementation of underwriting strategies which aim to ensure that the underwritten risks are well diversified in terms of type and amount of the risk. Adequate reinsurance / retakaful is arranged to mitigate the effect of the potential loss to the Company / PTF from individual to large or catastrophic insured events. Further, the Company adopts strict claim review policies including active management and prompt pursuing of the claims and regular detailed review of claim handling procedures and frequent investigation of possible false claims to reduce the insurance / takaful risk.

(A) FREQUENCY AND SEVERITY OF CLAIMS

Risk associated with general insurance / takaful contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the insured events. This has been managed by having in place underwriting strategy, reinsurance / retakaful arrangements and proactive claim handling procedures.

The reinsurance / retakaful arrangements against major risk exposure include excess of loss, quota share, surplus arrangements and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on Company's / PTF's net retentions.

(B) UNCERTAINTY IN THE ESTIMATION OF FUTURE CLAIM PAYMENTS

Claims on motor insurance / takaful contracts are payable on a claim occurrence basis. The Company / PTF is liable for all insured events that occur during the term of the insurance / takaful contracts respectively, including the event reported after the expiry of the insurance / takaful contract term.

An estimated amount of the claim is recorded immediately on the intimation to the Company. The estimation of the amount is based on management judgement or preliminary assessment by the independence surveyor appointed for the purpose. The initial estimates include expected settlement cost of the claims. Provision for IBNR is based on the management's best estimate which takes into account expected future patterns of reporting of claims and the claim actually reported subsequent to the balance sheet date. There are several variable factors which affect the amount and timing of recognised claim liabilities. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initial recognised amount.

Similarly, the provision for claims incurred but not reported is based on historic reporting pattern of the claims; hence, actual amount of incurred but not reported claims may differ from the amount estimated. Outstanding claims are reviewed on a periodic basis.

(C) KEY ASSUMPTIONS

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected income. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate case to case basis with due regard to the claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Core estimates are reviewed regularly and are updated as and when new information is available.

The principal assumption underlying the liability estimation of IBNR and Premium Deficiency Reserves is that the Company's / PTF's future claim development will follow similar historical pattern for occurrence and reporting. The management uses qualitative judgement to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgement includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc.

The Company is maintaining provision for IBNR based on the management's best estimate which takes into account expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date.

(D) CHANGES IN ASSUMPTIONS

The Company did not change its assumptions for the insurance / takaful contracts as disclosed in above (b) and (c).

(E) SENSITIVITY ANALYSIS

The risks associated with the insurance / takaful contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company makes various assumptions and techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The Company considers that the liability for claims recognised in the balance sheet is adequate. However, actual experience may differ from the expected outcome.

The claim liabilities are sensitive to the incidence of insured events and severity / size of claims. As the Company enters into short term insurance / takaful contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on profit before tax net of reinsurance / retakaful. The impact of 10 % increase / decrease in incidence of insured events on gross claim liabilities, underwriting results, net claim liabilities, profit before tax and shareholder's equity is as follows:

Average claim cost	Underwriting results		Shareholder's equity	
	2014	2013	2014	2013
	(RUPEES)			
Motor	**51,239,805**	31,198,889	**34,330,669**	20,279,278
Misc	**1,930,706**	218,514	**1,293,573**	142,034
	53,170,511	31,417,403	**35,624,242**	20,421,312

Concentration of risk

To optimise benefits from the principle of average and law of large numbers, geographical spread of risk is of extreme importance. There are a number of parameters which are significant in assessing the accumulation of risk with reference to the geographical location, the most important of which is risk survey.

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the insured property.

The adequate event limit is a multiple of the treaty capacity or the primary recovery from excess of loss treaty, which is very much in line with the risk management philosophy of the Company.

Reinsurance / retakaful ceded does not relieve the Company from its obligation towards policy holders / participants and, as a result the Company remains liable for the portion of outstanding claims reinsured / retakaful to the extent that reinsurer / retakaful operator fails to meet the obligation under the reinsurance / retakaful agreements.

The Company minimises its exposure to significant losses by obtaining reinsurance / retakaful from a number of reinsurers / retakaful, who are dispersed over several geographical regions.

The concentration of risk by type of contracts based on single risk with maximum exposure is summarised below:

Average claim cost	Gross sum insured		Reinsurance		Net	
	2014	2013	2014	2013	2014	2013
	(RUPEES)					
Motor	**8,000,000**	16,000,000	**-**	-	**8,000,000**	16,000,000
Misc	**25,940,000**	10,000,000	**-**	-	**25,940,000**	10,000,000
	33,940,000	26,000,000	**-**	-	**33,940,000**	26,000,000

The company's major gross exposure in other business is Rs. 25.94 million (2013: in motor business Rs. 16 million).

As the reinsurance / retakaful arrangements are on excess of loss basis, therefore the reinsurance / retakaful coverage against Company's risk exposures is not quantified.

Claims development tables

The following table shows the development of claims over a period of time on gross basis. For each class of business the uncertainty about the amount and timings of claims payment is usually resolved within a year.

Analysis on gross basis

Accident year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
	(RUPEES)										
Estimate of ultimate claims cost:											
At end of accident year	2,773,342	5,294,196	9,952,578	11,577,588	32,625,169	47,340,288	48,351,225	363,140,143	469,482,097	**708,662,241**	**1,699,198,867**
One year later	2,769,694	4,688,378	11,729,996	9,282,400	27,008,646	30,393,508	37,511,141	352,896,739	468,385,716	**-**	**944,666,218**
Two years later	2,769,694	4,623,878	11,732,891	8,924,574	25,210,318	30,389,581	37,423,966	352,717,003	-	**-**	**473,791,905**
Three years later	2,769,694	4,623,878	11,732,891	8,955,940	25,210,318	30,389,581	37,428,166	-	-	**-**	**121,110,468**
Four years later	2,769,694	4,623,878	11,732,891	8,955,940	26,075,318	30,389,581	-	-	-	**-**	**84,547,302**
Five years later	2,769,694	4,623,878	11,732,891	8,657,940	26,075,318	-	-	-	-	**-**	**53,859,721**
Six years later	2,540,949	4,623,878	11,732,891	8,657,940	-	-	-	-	-	**-**	**27,555,658**
Seven years later	2,540,949	4,623,878	11,732,891	-	-	-	-	-	-	**-**	**18,897,718**
Eight years later	2,540,949	4,623,878	-	-	-	-	-	-	-	**-**	**7,164,827**
Nine years later	2,540,949	-	-	-	-	-	-	-	-	**-**	**2,540,949**
Estimate of cumulative claims	2,540,949	4,623,878	11,732,891	8,657,940	26,075,318	30,389,581	37,428,166	352,717,003	468,385,716	**708,662,241**	**1,651,213,683**
Cumulative payments to date	(453,349)	(4,623,878)	(11,732,891)	(8,657,940)	(26,075,318)	(30,389,581)	(37,428,166)	(352,717,003)	(466,623,236)	**(555,108,722)**	**(1,493,810,084)**
Liability for outstanding claims	2,087,600	-	-	-	-	-	-	-	1,762,480	**153,553,519**	**157,403,599**

27. FINANCIAL RISK MANAGEMENT

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

27.1 Credit risk

Credit risk is the risk that arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counterparties in various industries and by continually assessing the credit worthiness of counterparties.

Management of credit risk

The Company's policy is to enter into financial contracts in accordance with the guidelines set by the Board of Directors. Credit risk is managed and controlled by the management of the Company in the following manner:

- Credit rating and / or credit worthiness of the counter party is taken into account along with the financial background so as to minimize the risk of default.
- Credit ratings are checked and collaterals obtained wherever appropriate / relevant.
- The risk of counterparty exposure due to failed agreements causing a loss to the Company is mitigated by a periodic review of the credit ratings, financial statements, credit worthiness, etc. on a regular basis and makes provision against those balances considered doubtful of recovery.

- Loans given to employees are deductible from the salary of the employees.
- Cash is held with reputable banks only.

To reduce the credit risk the management continuously reviews and monitors the credit exposure towards the policyholders and other insurers/reinsurers and makes provision against those balances considered doubtful of recovery.

Exposure to credit risk

In summary, compared to the amount included in statement of assets and liabilities, the maximum exposure to credit risk as at 31 December is as follows:

	31 December 2014		31 December 2013	
	Balance as per the financial statement	Maximum exposure	Balance as per the financial statement	Maximum exposure
	(RUPEES)			
Bank deposits	**89,544,773**	**89,544,773**	107,924,804	107,924,804
Loan to employees	**628,235**	**-**	352,582	-
Investments	**49,941,368**	**-**	153,238,416	-
Premiums / Contribution due but unpaid	**110,244,647**	**110,244,647**	88,217,781	88,217,781
Amount due from other insurers / reinsurers	**5,883,911**	**5,883,911**	22,133	22,133
Accrued investment income	**2,132,643**	**-**	2,132,643	-
Reinsurance recoveries against outstanding claims	**863,000**	**863,000**	863,000	863,000
Salvage recoveries accrued	**22,777,000**	**22,777,000**	4,277,000	4,277,000
Sundry receivables	**134,415,593**	**130,337,404**	15,975,002	15,975,002
Advance, deposits and prepayments	**354,878,460**	**294,561,501**	356,553,842	299,747,396
Loan to Associated Company	**126,679,551**	**126,679,551**	100,000,000	100,000,000
	897,989,181	**780,891,787**	829,557,203	617,027,116

Differences in the balances as per financial statements and maximum exposure is due to investments. Accrued investment income does not carry credit risk as the same is receivable due to investment in Government Securities. Loan to employees is secured against provident fund. Advance, deposits and prepayments maximum exposure is less than the balance as per financial statements by Rs. 60.317 million (2013: 56.806 million) which relates to prepayments.

Past due / impaired assets

Age analysis of premium due but unpaid at the reporting date was:

	2014 (RUPEES)	2013 (RUPEES)
0-90 days	**102,899,692**	77,509,292
Over 90 days	**7,344,955**	10,708,489
Total	**110,244,647**	88,217,781

The above balance is considered good and is not impaired.

Age analysis of amount due from other insurers / reinsurers at the reporting date was:

	2014		2013	
	Gross	Impairment	Gross	Impairment
	(RUPEES)			
Upto 1 year	**5,859,570**	**-**	19,925	-
1-2 years	**19,925**	**-**	2,208	-
Over 2 years	**2,756,601**	**2,754,393**	2,754,393	2,754,393
Total	**8,636,096**	**2,754,393**	2,776,526	2,754,393

Age analysis of reinsurance recoveries against outstanding claims at the reporting date was:

	2014		2013	
	Gross	Impairment	Gross	Impairment
	(RUPEES)			
Up to 1 year	**20,577,000**	**-**	4,277,000	-
1-2 years	**2,200,000**	**-**	-	-
Over 2 years	**863,000**	**-**	863,000	-
Total	**23,640,000**	**-**	5,140,000	-

In respect of the aforementioned insurance and reinsurance assets, the Company takes into account its past history / track record of recoveries and financial position of the counterparties while creating provision for impairment. Further, reinsurance recoveries are made when corresponding liabilities are settled.

Credit Rating and Collateral

The Company enters into re-insurance / co-insurance arrangements with re-insurers / other insurers having sound credit ratings accorded by reputed credit rating agencies. The Company is required to comply with the requirements of circular no. 32 / 2009 dated October 27, 2009 issued by SECP which requires an insurance company to place at least 80% of their outward treaty cessions with reinsurers rated 'A' or above by Standard & Poors with the balance being placed with entities rated at least 'BBB' by reputable ratings agency. An analysis of all reinsurance assets relating to outward treaty cessions recognised by the rating of the entity from which it is due is as follows:

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded	2014	2013
			(RUPEES)		
A or above (including PRCL)	**5,883,911**	**23,640,000**	-	**29,523,911**	5,162,133

The credit quality of Company's bank balances can be assessed with reference to external credit rating as follows:

	Rating		Rating Agency	Amount (in Rupees)	
	Short term	Long term		2014	2013
Sindh Bank Limited	A-1+	AA-	JCR-VIS	**55,426**	5,438,596
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	**14,566,648**	9,529,769
Dubai Islamic Bank	A-1	A+	JCR-VIS	**5,333,693**	6,400,571
Bank Al-Habib Limited	A1+	AA+	PACRA	**8,088,956**	2,543,150
United Bank Limited	A-1+	AA+	JCR-VIS	**1,321,583**	552,187
Tameer Micro Finance Bank Limited	A1	A	JCR-VIS	**40,407**	-
NIB Bank Limited	A1+	AA-	PACRA	**1,295,949**	311,182
National Bank of Pakistan	A-1+	AAA	JCR-VIS	**1,844**	131,989
Faysal Bank Limited	A1+	AA	PACRA	**1,859,825**	414,360
Burj Bank Limited	A-1	A+	JCR-VIS	**56,792,810**	80,000,000
Standard Chartered Bank Limited	A1+	AAA	PACRA	**187,632**	2,603,000
				89,544,773	107,924,804

Concentration of credit risk

Concentration of credit risk arises when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The company manages concentration of credit risk through diversification of activities among individuals, groups and industry segments.

Sector-wise analysis of premium due but unpaid at the reporting date was:

	31 December 2014		31 December 2013	
	(RUPEES)	%	(RUPEES)	%
Individuals	**70,881,988**	**64%**	74,102,936	84%
Corporate	**39,362,659**	**36%**	14,114,845	16%
	110,244,647	**100%**	88,217,781	100%

Settlement risk

The company's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed on sale.

This risk is addressed more or less in accordance with the parameters set out in the credit risk management above.

27.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or may face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

Management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Due to nature of the business, the Company maintains flexibility in funding by maintaining committed credit lines available. The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to fulfil its obligation; monitoring balance sheet liquidity ratios against internal and external requirements and maintaining debt financing plans.

Maturity analysis for financial liabilities

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to maturity date and represents the undiscounted cash flows. The amounts in the table are the gross nominal undiscounted cash flows (including interest payments).

	2014			
	Carrying amount	Contractual cash flows	Upto one year	More than one year
	(RUPEES)			
Financial liabilities				
Provision for outstanding claims	**157,403,599**	**157,403,599**	**157,403,599**	-
Amount due to other insurers / reinsurers	**16,779,118**	**16,779,118**	**16,779,118**	-
Accrued expenses	**2,019,932**	**2,019,932**	**2,019,932**	-
Other creditors and accruals	**41,439,089**	**41,439,089**	**41,439,089**	-
	217,641,738	**217,641,738**	**217,641,738**	-

	2013			
	Carrying amount	Contractual cash flows	Upto one year	More than one year
	(RUPEES)			
Financial liabilities				
Provision for outstanding claims	157,403,599	157,403,599	157,403,599	-
Amount due to other insurers / reinsurers	16,779,118	16,779,118	16,779,118	-
Accrued expenses	2,019,932	2,019,932	2,019,932	-
Other creditors and accruals	41,439,089	41,439,089	41,439,089	-
	217,641,738	217,641,738	217,641,738	-

27.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will effect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Company is exposed to interest rate risk, currency risk and other price risk.

27.3.1 *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate exposure arises from balances held in profit and loss sharing accounts with reputable banks and government securities. The Company limits interest rate risk by monitoring changes in interest rates. Other risk management procedures are the same as those mentioned in the credit risk management.

At the balance sheet date the interest rate profile of the Company's interest-bearing financial instrument are as follows:

	2014	2013	2014	2013
	Effective interest rate (in %)		(RUPEES)	
Financial assets				
Fixed rate instruments				
- Government securities	**12%**	12%	**48,470,989**	48,406,411
- Advance, deposits and prepayments	**14%**	14%	**287,679,109**	293,980,004
- Sundry receivables	**14%**	14%	**-**	4,400,998
Variable rate instruments				
- Bank balances	**6% to 9%**	6% to 9%	**67,289,563**	15,278,668

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account and equity of the Company.

Cash flow sensitivity analysis for variable rate instruments

The Company is exposed to cash flow interest rate risk in respect of its balances with profit and loss sharing account with banks. A hypothetical change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below.

It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	Profit and loss 100 bps	
	Increase	Decrease
	(RUPEES)	
As at 31 December 2014		
Cash flow sensitivity - Variable rate financial assets	7,219,333	(7,219,333)
As at 31 December 2013		
Cash flow sensitivity - Variable rate financial assets	6,007,180	(6,007,180)

Exposure to interest rate risk

A summary of the Company's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date, is as follows:

	31 December 2014				
	Mark-up / return (%)	less than 1 year	1 year to 5 years	More than 5 years	Total
		(RUPEES)			
Assets					
Cash and bank deposits	**6 - 8**	**89,837,635**	**-**	**-**	**89,837,635**
Loans to employees	**0 - 5**	**583,235**	**45,000**	**-**	**628,235**
Investments	**12**	**-**	**-**	**48,470,989**	**48,470,989**
Advance, deposits and prepayments	**14**	**287,679,109**	**-**	**-**	**287,679,109**
Sundry receivables	**14**	**-**	**-**	**-**	**-**
Total assets		**378,099,979**	**45,000**	**48,470,989**	**426,615,968**
Liabilities	**-**	**-**	**-**	**-**	**-**
Total interest sensitivity gap		**378,099,979**	**45,000**	**48,470,989**	**426,615,968**

	31 December 2013				
	Mark-up / return (%)	less than 1 year	1 year to 5 years	More than 5 years	Total
		(RUPEES)			
Assets					
Cash and bank deposits	6 - 8	15,278,668	-	-	15,278,668
Loans to employees	0 - 5	307,582	45,000	-	352,582
Investments	12	-	-	48,406,411	48,406,411
Advance, deposits and prepayments	14	293,980,004	-	-	293,980,004
Sundry receivables	14	4,400,998	-	-	4,400,998
Total assets		313,967,252	45,000	48,406,411	362,418,663
Liabilities	-	-	-	-	-
Total interest sensitivity gap		313,967,252	45,000	48,406,411	362,418,663

27.3.2 Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. 1.47 million (2013: Rs. 4.47 million) at the balance sheet date.

The Company's strategy is to hold its strategic equity investments for long period of time. Thus, Company's management is not concerned with short term price fluctuations with respect to its strategic investments provided that the underlying business, economic and management characteristics of the investee remain favourable. Company strives to maintain above average levels of reholders' capital to provide a margin of safety against short term equity price volatility. Company manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

The carrying value of investments subject to equity price risk are based on quoted market prices as of the balance sheet date except for investments in associates which are carried under equity method and available for sale equity instruments which are stated at lower of cost or market value (market value being taken as lower if fall is other than temporary) in accordance with the requirements of the S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan (SECP), in December 2002.

Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold. The Company has no significant concentration of price risk.

Sensitivity analysis

The table below summarizes Company's equity price risk as of 31 December 2014 and 2013 and shows the effects of a hypothetical 10% increase / decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse in Company's equity investment portfolio because of the nature of equity markets.

Had all equity investments, other than associates, been measured at fair values as required by IAS 39 "Financial Instruments: Recognition and Measurement", the impact of hypothetical change would be as follows:

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase / (decrease) in shareholders' equity	Hypothetical increase (decrease) in profit / (loss) before tax
			(RUPEES)		
31 December 2014	**2,697,268**	**10% increase**	**2,966,995**	**269,727**	**269,727**
		10% decrease	**2,427,541**	**(269,727)**	**(269,727)**
31 December 2013	5,338,586	10% increase	5,872,445	533,859	533,859
		10% decrease	4,804,727	(533,859)	(533,859)

27.3.3 *Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Company, at present is not materially exposed to currency risk as majority of the transactions are carried out in Pak Rupees.

27.4 Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction consequently difference can arise between carrying values and the fair value estimates.

The carrying values of all financial assets and financial liabilities approximate their fair values, except for certain equity and debt instruments, held whose fair values have been disclosed in their respective notes to these financial statements.

27.5 Capital management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

The Company currently meets the paid up capital requirement as required by Securities and Exchange Commission of Pakistan.

28. SEGMENT INFORMATION

Class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirement of Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The following table presents information regarding segment assets and liabilities as at 31 December 2014 and 31 December 2013, allocated capital expenditures and depreciation / amortisation during the year. The above have been assigned to the following segments on the basis of gross premium / contribution earned by the segments.

	Conventional Operations		Window Takaful Operations		Total	
	2014	2013	2014	2013	2014	2013
	(RUPEES)					
SEGMENT ASSETS						
Segment assets	**1,145,894,570**	-	**153,172,079**	-	**1,299,066,649**	-
Unallocated corporate assets					-	-
Consolidated total assets					**1,299,066,649**	-
SEGMENT LIABILITIES						
Segment liabilities	**734,344,166**	-	**101,844,829**	-	**836,188,995**	-
Unallocated corporate liabilities					-	-
Consolidated total liabilities					**836,188,995**	-
CAPITAL EXPENDITURE						
Capital expenditure	**215,141,459**	-	-	-	**215,141,459**	-
Depreciation / amortisation	**71,883,801**	-	**249,142**	-	**72,132,943**	-

The financial position and operating results of the Window Takaful Operations are attahced as annexure 'A'.

29. PROVIDENT FUND RELATED DISCLOSURE

The following is based on un-audited financial statements for the year ended 30 June 2014 and 30 June 2013:

	2014	2013
	(RUPEES)	
Size of the fund - Net Assets	**17,526,034**	15,862,884
Cost of investments	**14,242,530**	15,559,202
Percentage of investments made	**81.26%**	98.09%
Fair value of investments	**17,061,138**	15,614,718

29.1 The breakup-value of fair value of investments is as follows:

	2014	2013	2014	2013
	(Percentage)		(RUPEES)	
Bank balances	**16%**	0%	**2,736,152**	2,188
Pakistan investment bonds	**24%**	26%	**4,027,000**	4,027,000
Special saving certificates	**32%**	47%	**5,477,918**	7,373,828
Mutual Funds	**7%**	4%	**1,240,056**	657,601
Shares of listed company	**21%**	23%	**3,580,012**	3,554,101
	100%	100%	**17,061,138**	15,614,718

The above investment / placement of funds in special bank account has been made in accordance with the provision of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

30. NUMBER OF EMPLOYEES

The number of employees as at / average during the year are as follows:

	2014	2013
At the year end	**165**	149
Average during the year	**157**	144

31. GENERAL

31.1 Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosure.

31.2 Date of authorisation for issue

These financial statements have been authorised for issue on 17 March 2015 by the Board of Directors of the Company.

Chief Executive Director Director Chairman

WINDOW TAKAFUL OPERATIONS

ANNEXURE A

THE BALANCE SHEET OF THE COMPANY'S WINDOW TAKAFUL OPERATIONS AS AT 31 DECEMBER 2014 IS AS FOLLOWS:

	NOTE	2014 (RUPEES)
SHAREHOLDERS' FUND		
Operators' Fund (OF)		53,207,199
WAQF / PARTICIPANT'S TAKAFUL EQUITY (PTF)		
Ceded money		2,000,000
Accumulated deficit		(3,879,949)
Balance of WAQF / PTF		(1,879,949)
LIABILITIES		
PTF Underwriting provisions		
Provision for outstanding claims (including IBNR)		4,563,535
Provision for unearned contribution		55,629,056
		60,192,591
SHF Underwriting provisions		
Unearned Wakala Fee	5	22,251,622
Creditors and accruals		
Amounts due to other takaful / retakaful operators	6	4,234,000
Other creditors and accruals	7	15,166,616
		19,400,616
Total Liabilities		101,844,829
Total equity and liabilities		153,172,079

	NOTE	2014 (RUPEES)
Cash and bank deposits		
Current and other accounts	8	80,888,772
		80,888,772
Current assets - others		
Contribution due but unpaid - PTF		28,655,745
Taxation - payments less provision		185,168
Deferred Wakala expense	5	22,251,622
Deferred commission expense		6,951,106
Advance, deposits and prepayments	9	14,239,666
		72,283,307
Total assets		153,172,079

The Profit and Loss Account of the Company's Window Takaful Operations for the period ended 31 December 2014 is as follows.

	NOTE	Motor	2014 (RUPEES)
PTF Revenue Account			
Gross contribution	1	8,166,841	8,166,841
Wakala expensed during the year	5	(5,259,667)	(5,259,667)
Net claims	2	(4,674,723)	(4,674,723)
Direct expenses	10	(2,113,834)	(2,113,834)
Underwriting result		(3,881,383)	(3,881,383)
Net investment income	4		1,434
Deficit for the year			(3,879,949)
OF Revenue Account			
Wakala fee	5		5,259,667
Cede money donated to Participant Takaful Fund			(2,000,000)
Management expenses	11		(599,047)
Net commission	3		(820,565)
			1,840,055
Mudarib's share of PTF investment income			615
Net investment income			1,849,633
			3,690,303
General and administrative expenses	12		(483,104)
Profit before taxation			3,207,199
Taxation - net			-
Profit after tax			3,207,199

The Statement of Changes in Equity of the Company's Window Takaful Operations for the period ended 31 December 2014 is as follows:

	Operators' Fund
	Total (RUPEES)
Balance as at 1 January 2014	-
Operators' Fund placed during the year	50,000,000
Net profit for the year	3,207,199
Balance as at 31 December 2014	53,207,199

	Participants' Takaful Fund		
	Ceded Money	Accumulated deficit	Total
		(RUPEES)	
Ceded Money at the commencement	2,000,000	-	2,000,000
Deficit for the year	-	(3,879,949)	(3,879,949)
Balance as at 31 December 2014	2,000,000	(3,879,949)	(1,879,949)

1. CONTRIBUTION EARNED

	2014 (RUPEES)
Contribution Written during the year	64,854,397
Less: Unearned Contribution reserve	(55,629,056)
	9,225,341
Retakaful Ceded during the year	4,234,000
Prepaid retakaful contribution - Closing	(3,175,500)
Retakaful contribution expense	1,058,500
Contribution earned during the year	8,166,841

2. CLAIMS EXPENSE

Claims paid during the year	111,188
Outstanding claims	4,563,535
Retakaful and other recoveries	-
Net claims expense for the year	4,674,723

3. COMMISSION EXPENSE

Commission paid or payable	7,771,671
Less: deferred commision expense	(6,951,106)
Net commission expense for the year	820,565

4. INVESTMENT INCOME

	2014 (RUPEES)
Participants' Takaful Fund - PTF	
Profit on bank deposits and placements	2,049
Less: Modarib's fee	(615)
Net investment income - PTF	1,434
Operators' Fund - OF	
Profit on bank deposits and placements	1,849,633

5. WAKALA FEE

Unearned / Deferred Wakala Fee - Opening	-
Wakala Fee during the year	27,511,289
Unearned / Deferred Wakala Fee - Closing	(22,251,622)
Wakala Fee earned / expensed during the year	5,259,667

Unearned Wakala fee pertains to Operators' Fund whereas deferred Wakala Fee pertains to the Participants' Takaful Fund.

6. AMOUNT DUE TO OTHER TAKAFUL / RETAKAFUL OPERATORS

This represents minimum and deposit contribution payable in respect of Excess of Loss treaty signed under retakaful arrangements.

7. OTHER CREDITORS AND ACCRUALS

	2014		
	PTF	OF	Total
		(RUPEES)	
Payable to Conventional Insurance Operations	4,742,000	655,580	5,397,580
Federal Insurance Fee	274,889	-	274,889
Federal Excise Duty (FED) - net	4,206,098	-	4,206,098
Commission payable	-	5,092,666	5,092,666
Withholding tax payable	-	156,162	156,162
Others	-	39,221	39,221
	9,222,987	5,943,629	15,166,616

8. CASH AND BANK DEPOSITS

	NOTE	2014		
		PTF	OF	Total
			(RUPEES)	
Current and other accounts				
Current Accounts		4,818,075	-	4,818,075
Profit and loss sharing (PLS) accounts	8.1	2,370,013	73,700,684	76,070,697
		7,188,088	73,700,684	80,888,772

8.1 These accounts carry profit at a rate between 6% to 8% per annum.

9. ADVANCE, DEPOSITS AND PREPAYMENTS

	2014
	PTF RUPEES
Prepaid	11,064,166
- annual monitoring and other charges	3,175,500
- retakaful contribution ceded	14,239,666

10. DIRECT EXPENSES

Tracker rental expense and monitoring fee	2,113,834

This represents rental expense of trackers installed including tracker monitoring charges.

11. MANAGEMENT EXPENSES

	2014 (RUPEES)
Salaries, wages and benefits	205,644
Outsourcing expenses	19,928
Communication	16,906
Fuel	19,995
Rent, rates and taxes	55,965
Utilities	13,659
Depreciation	243,888
Amortisation	4,810
Printing and stationery	9,131
Legal and professional charges	5,285
Insurance	3,836
	599,047

12. GENERAL AND ADMINISTRATIVE EXPENSES

Salaries, wages and benefits	71,190
Travelling and conveyance	223,304
Advertisement and sales promotion	85,878
Registration, subscription and association	22,329
Communication	215
Depreciation	5,254
Repairs and maintenance	15,872
Fuel	7,014
Information technology related cost	28,193
Donations	14,634
Others	9,221
	483,104

ANNUAL GENERAL MEETING

08

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of TPL Direct Insurance Limited (the "Company") will be held at the auditorium of the Institute of Chartered Accountants of Pakistan at Chartered Accountants Avenue, Clifton, Karachi, on Thursday, 30th April 2015 at 11:00 am, to transact the following business:

ORDINARY BUSINESS

1. To approve the minutes of the Extraordinary General Meeting held on 27th February, 2015.

2. To receive, consider and adopt annual audited Financial Statements of the Company for the year ended 31st December 2014, together with the Directors and Auditors reports thereon.

3. To appoint Auditors for the year ending 31st December 2015 and fix their remuneration.

4. To elect the directors of the Company for a period of three years commencing from 1st May 2015 in accordance with the provisions of Section 178 of the Companies Ordinance, 1984. The Board of Directors have fixed the number of Directors to be elected as (7) Seven. Following are the names of retiring Directors, who are eligible for re-election:

   1) Mr. Jameel Yusuf
   2) Mr. Ali Jameel
   3) Mr. Saad Nissar
   4) Mr. Syed Nadir Shah
   5) Mr. Adil Matcheswalla
   6) Mr. Romain Dequesne
   7) Mr. Andrew Borda

5. To consider and, if thought fit, approve the remuneration of independent directors at Rs. 100,000/- for attending Board of Directors' meeting.

SPECIAL BUSINESS

6. To consider and, if thought fit, pass special resolution pursuant to Section 208 of the Companies Ordinance, 1984 to authorize renewal of advance to the Associated Undertaking, TPL Trakker Limited not exceeding Rs. 300 Million.

(A Statement of Material Facts under Section 160 of the Companies Ordinance 1984 relating to the aforesaid Special Business to be transacted at the said Annual General Meeting has been annexed separately to this notice.)

ANY OTHER BUSINESS

7. To consider any other business with the permission of Chairman.

By Order of the Board

DATED 30TH MARCH 2015

SYED ALI HASSAN ZAIDI
COMPANY SECRETARY

NOTES:

1) The Share Transfer Books of the Company will remain closed from 22nd April, 2015 to 30th April, 2015 (both days inclusive).

2) A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint another person as proxy to attend and vote instead of him. The Proxy Forms, in order to be effective, must be received at the Registrar of the Company M/s THK Associates (Pvt.) Ltd, 2nd Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi, not less than 48 hours before the Meeting.

3) For identification, CDC account holders should present the participant's National Identity Card, and CDC Account Number and in case of proxy must enclose an attested copy of his/her CNIC. The representatives of corporate bodies should bring attested copy of Board of Directors' Resolution/ Power of Attorney and/or all such documents as are required under Circular No. 1 dated 26th January 2000 issued by Securities & Exchange Commission of Pakistan for this purpose.

4) Members are requested to immediately notify the change, if any, in their registered address/contact numbers to the Share Registrar on the following address:

THK ASSOCIATES (PVT) LIMITED

2nd Floor, State Life Building No.3,

Dr. Ziauddin Ahmed Road, Karachi. 75530

STATEMENT OF MATERIAL FACTS UNDER SECTION 160(1)(B) OF THE COMPANIES ORDINANCE, 1984 REGARDING SPECIAL BUSINESS

ITEM NO. 6
OF THE NOTICE

ADVANCE TO
TPL TRAKKER LIMITED

TPL Direct Insurance Limited is desirous of renewing its advance to TPL Trakker Limited for the purchase of Tracking units and payments of its monitoring fee with a reduced limit of Rs. 300 million. Mark-up will be charged equivalent to the higher of market rate of interest or borrowing cost of the Company on the outstanding balance. For this purpose, it is proposed to consider and, if thought fit, to pass following resolution as a special resolution, with or without modification, for authorizing advance to TPL Trakker Limited pursuant to section 208 of the Companies Ordinance, 1984.

"Resolved that approval of shareholders be and is hereby accorded under section 208 of the Companies Ordinance, 1984 to advance a maximum amount of Rs. 300 million to TPL Trakker Limited for the purchase of Tracking units and payment of its monitoring fee. TPL Trakker Limited to be charged at a markup rate equivalent to the market rate of interest or borrowing cost of the Company."

The information required to be annexed to the Notice by Notification No. SRO 27(I)/2012 dated 16 January 2012 is set out below:

REQUIREMENT	INFORMATION REQUIRED
Name of the associated company	TPL Trakker Limited
Relationship with associated company	Associated Company of TPL Direct Insurance Limited – 34.39% shareholding.
Proposed limit of loan or advance	Rs. 300 million
Purpose of advance to associated company.	To renew the advance with a reduced limit of Rs. 300 million to TPL Trakker Limited for uninterrupted supply of Tracking units and its monitoring services to the Company.
Benefits to the Company	Uninterrupted supply of Tracking units and its monitoring services to the Company along with markup equivalent to the higher of market rate of interest or borrowing cost of the Company.
The complete details of loans already provided	The Shareholders of the Company in its Annual General Meeting held on 21 April 2014 resolved to make advance to TPL Trakker Limited for purchase of Tracking units and payment of its monitoring fee subject to maximum limit of Rs. 400 million.

REQUIREMENT	INFORMATION REQUIRED
Financial position of the associated company	The extracts of balance sheet and profit and loss of TPL Trakker Limited as at and for the year ended 30 June 2014 is as follows:

BALANCE SHEET	RUPEES
NON-CURRENT ASSETS	1,909,300,272
INVESTMENTS	1,208,362,990
OTHER ASSETS	1,117,001,023
TOTAL ASSETS	**4,234,664,285**
TOTAL LIABILITIES	**(1,691,409,891)**
REPRESENTED BY:	
PAID UP CAPITAL	2,172,489,630
ACCUMULATED PROFIT	370,764,764
EQUITY	**2,543,254,394**

PROFIT AND LOSS	RUPEES
PROFIT BEFORE INTEREST AND TAXATION	**262,179,663**
FINANCIAL CHARGES	(130,389,687)
PROFIT BEFORE TAXATION	**131,789,976**
TAXATION	(43,378,398)
PROFIT AFTER TAXATION	**88,411,578**

REQUIREMENT	INFORMATION REQUIRED
Average borrowing cost of the company	The average estimated borrowing cost of the Company for the last year remained at 3 months KIBOR + 2.1%
Rate of mark-up to be charged to associated company	Markup to be charged equivalent to the higher of market rate of interest or borrowing cost of the Company.
Sources of funds for advance	Own sources
Particulars of collateral security against advance	Personal guarantees of at least two directors of TPL Trakker Limited.
Repayment schedule and terms of advance	Advance to be adjusted against purchase of tracking units and monitoring fee of tracking units.
Salient feature of all agreements	The Company has entered into cost sharing agreement with TPL Trakker Limited to obtain synergies.
Interest of directors, majority shareholders and their relatives	Mr. Jameel Yusuf, Mr. Ali Jameel and Mr. Saad Nissar, directors of the Company are also the directors of TPL Trakker Limited.

TPL DIRECT FINANCE (PVT.) LIMITED

The statement required under SRO 27(I)/2012 dated 16 January 2012 for not making an investment in the associated company, approved in the last annual general meeting held on 21 April 2014 is set out below:

REQUIREMENT	INFORMATION REQUIRED
Name of the associated company	TPL Direct Finance (Private) Limited
Relationship with associated company	Common Directorship
Investment amount approved	Rs. 50 million
Investment made to date	Rs. NIL
Reason for not making the investment	The associated company is yet to commence its operations and therefore the investment in equity of the associated company was put off.
Interest of directors, majority shareholders and their relatives	Mr. Ali Jameel and Mr. Saad Nissar, directors of the Company are also the sponsor directors of TPL Direct Finance (Private) Limited.

PROXY FORM

I/We ____

of ______________________ being a member of TPL Direct Insurance Limited and holder of ______________________
Ordinary Shares as per Share Register Folio No. ______________
hereby appoint ____________________________ of ________
or failing him ______________________________________

of ______________________________ as my proxy to vote for me and on my behalf at the Annual General Meeting of the Company to be held on the 30th day of April 2015 and at any adjustment thereof.

REVENUE STAMP

[Signature should agree with specimen signature registered with the company]

Signed this ______________ day of ______________ 2015

Signature ______________	Signature ______________
Name ______________	Name ______________
Address ______________	Address ______________
CNIC on Passport No. ________	CNIC on Passport No. ________

NOTE:

i] Proxies in order to be effected must be received by the company not less than 48 hours before the Meeting. A Proxy need not be a member of the Company

ii] CDC Shareholder and their Proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy before submission to the Company.

iii] The proxy shall produce his original CNIC or original passport at the time of the meeting.

iv] In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted [unless it has been provided earlier] along with proxy form to the Company.